

A new bank for a new society



SUSTAINABILITY REPORT

2005|2006

APRIL 2007

About US

Our story began in Brazil 90 years ago, with the arrival of Banco Holandês da América do Sul in the cities of Rio de Janeiro and Santos. In 1963 the institution acquired 50% of Aymoré Financiamentos and in 1993 changed its name to ABN AMRO Bank. In 1971, two years after establishing a presence in São Paulo, Banco da Lavoura de Minas Gerais, founded in 1925, became BANCO REAL. In 1998 BANCO REAL was purchased by ABN AMRO Bank, which acquired Bandepe that same year. The merger of the two institutions was concluded in 2000, and in 2003 the group acquired Banco Sudameris.

In 2006 ABN AMRO REAL became Brazil's third largest bank by total assets (R\$120.8 billion), and in loans and deposits. We are active in the country's five geographic regions, offering about 2,000 branches and banking services outlets to over 13 million customers. Our operations are supported by more than 30,000 employees. Our local coverage is supplemented by the global reach of ABN AMRO, which has over 4,500 branches in 53 countries and territories, including the world's leading financial centres.

Our comprehensive financial services and products platform meets all the banking needs of our consumer and commercial clients. For consumers, we offer everything from loans and current account services to products in foreign currency, as well as financing the acquisition of assets such as vehicles and real estate. For commercial clients, small and medium sized companies enjoy the same efficient service we provide to large corporations to meet their growing demand for structured solutions.

This report is in accordance with GRI G3 standards.



For more information about ABN AMRO REAL, please visit www.bancoreal.com.br. For more information about ABN AMRO, please visit www.abnamro.com/com/about/about.jsp. For our financial results, our Annual Report is available at www.bancoreal.com.br.

In 2006 our Mission and Vision were reformulated to better reflect the current the stage of our growth.

Our Vision

A new bank for a new society.

An evolving society, one that is increasingly well informed and aware, striving to integrate social and environmental needs with economic activities in all its decisions. We, as an organization and as individuals, are agents of this evolution.

Our Mission

To be an organization recognized for providing the highest quality financial services to our clients, generating sustainable results and working to satisfy people and organizations, which together with us contribute to society's evolution.

letter to readers

If, at the beginning of this process, our choices were based largely on our beliefs, then today our achievements assure us that we are on the right track and that we are not alone.

In 2006 we became the country's third largest private sector bank.

Of course these results are due primarily to the fact that society itself is in transition, having become better informed, more aware and more demanding, while valuing the importance of the banks' new role in the difficult but essential task of integrating human, environmental and economic factors.

If we have grown and become more efficient, it is thanks to our customers, staff and partners who shared this vision and joined forces with us to build the new bank and new society we seek.

We are still at the beginning of an epic challenge, because it not easy for a culture to start accepting interdependence as a new way of being, after centuries of valuing independence.

The third report continues to describe this journey based on our experience, and is far more than just a disclosure of results.

Our innovations are not a function of changing laws or regulations. Following our convictions we act as pioneers, and consequently we make more mistakes than those who simply wait to adopt best practices.

This is the onus of innovation, which to us comes naturally, and that we enjoy sharing through our learning. After all, sustainability

is not just for us: it is society's cause.

Perhaps that's why we have received so much recognition, which is gratifying and a spur to even greater commitment.

In 2006 we received 49 national and international awards for our sustainability-related actions.

These include enhancing our risk management by incorporating aspects and disciplines that give us a more accurate sense of the interdependence of financial, human and environmental resources; modifying our structures to meet our customers' needs more efficiently; enhancing our governance model to guide and measure how our various departments comply with sustainable practices; creating solutions to develop the productive chain of companies; and funding for renewable energy projects.

Although sure of our direction, we are apprehensive at how slow we, like society, are reinventing our way of being, to align it with all we have learned and thereby give us a good life on this planet, now and in the future.

We must accelerate this transition and hope that our experience can stimulate and power this journey.

We want to become closer to our stakeholders (our relationship groups), which means their cooperation, criticisms and suggestions are most welcome.

Just drop us a line at:

jornada.real@br.abnamro.com

Happy reading!

Fabio C. Barbosa

People at the Center

The figure shown on this page is Our New Business Model, a graphic representation of the strategy we adopt to carry out our Mission and fulfil our Vision. We speak directly to the individual: you, me and everyone in the many roles we perform in society and in relation to the Organisation.

In 2006 our Vision, Mission and Model were altered to better reflect our stance on business and society, and to keep pace with a changing society that values a bank which is different from all others. People do not want to be classified, labelled and treated like terms in a contract. They want to be treated as human beings and individuals with their own tastes, values and peculiarities.

We like this idea and view it as growth. When the company sees people as individuals, customer service becomes more human, caring, personalised and creates a stronger bond. This is the fundamental reason why we place the individual at the centre of Our Model – and of everything we do.



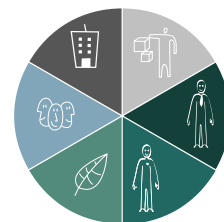
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*Tell us
your opinion!*

How to use this Report

At the top of each section we suggest which group may have the most interest in the material. However, they are all interconnected in some way.



- shareholder
- supplier
- employee
- client
- the environment
- society

Follow the path below to locate the full text for each section on the Report's website.



www.bancoreal.com.br

sustentabilidade

relatório de sustentabilidade

subject name

Throughout this Report we show the Millennium Development Goals that our projects contribute to.





Sustainability under att



Since arriving on the scene, the idea of sustainability has been attacked by sceptics and critics who seek to expose its weak spots and contradictions. In the following pages you'll see how ABN AMRO REAL's senior management respond to some of these accusations. The questions put to them were taken from local and international media sources, and randomly distributed amongst the executives taking part.



ack





1) Will interdependence among countries over the environment, the supply of petroleum and its by-products and the international financial system improve or worsen conditions for dialogue between governments? Will the evidence of this interdependence lead to peace or more conflicts?

Fabio Barbosa – Since this involves predicting the future, it's difficult to give a clear answer to this question. However, the world definitively changed after the September 11, 2001 attack in New York. Problems like poverty and the dictatorial regimes in Afghanistan and Iraq, that had seemed remote from civilised nations, suddenly became a hot topic for governments and large

corporations, as well as middle class homes in rich countries. Even if in many cases it was only through television, people understood that problems in far off countries could affect all of us. So interdependence is here to stay. There are huge benefits and major challenges. The treaty that opened the way for the integration of nations in the European Union has just celebrated its 50th anniversary. Strong economic results, the reinvention of Europe in terms of ongoing technology and innovations and the buying power of the Euro in relation to the US dollar are excellent examples of the benefits of this interdependence. Shorter distances, due primarily to the possibilities of air travel and the internet, allow things like distance surgery to save lives and terrorist networks like Al-Qaeda to get their message across. With interdependence mankind has a unique chance to join forces and strive to promote an era of peace and development. The possibilities have been shown, and there are many ways to improve the human condition, but one thing is certain: we cannot stand by with our arms folded. It is up to each us to do our share and play our role in this new environment.



Pisco Del Gaiso

Fabio C. Barbosa

Fabio C. Barbosa is Chairman and CEO of ABN AMRO REAL, and believes it is possible to succeed by doing the right things the right way.

2) Journalist Clive Crook, formerly of The Economist, in his January 2005 article “The Good Company”, claims that corporate social responsibility is “nail polish on the claws of capitalism”. Most companies treat sustainability superficially, like using cosmetics: putting them on every morning, showing them off during the day and then removing them at night. How do you view this issue?

Fabio Barbosa – Due to considerable demands from society, companies are being forced to find a business model that looks at the way profit is being made, and not just whether profit has increased or decreased. Environmental disasters, use of slave labour and economic abuse are variables that consumers no longer accept. Out of conviction or convenience, CEOs are now speaking out more on the issue, although certainly a great many companies are just doing this superficially. However, it’s more than just a marketing ploy or smoke and mirrors. I believe it’s happening because we are at the beginning of a journey. This is something very new. We have no reference points about how to do it and where to begin. Unfortunately, the learning curve becomes more pronounced

and the pressure tends to increase, although this makes me see the glass as being half full. Every day there is more and more news about companies managing to increase their profitability and productivity, thanks to corporate responsibility or, as we prefer to call it, sustainability. Sustainability is becoming a focal point for corporate leaders, customers are asking for it and society is rewarding the companies that adapt it. Of course there is still plenty to be done, but we’ve been shown the way, and more and more companies are willing to head in the same direction by learning and changing.

3) Staying with the questions that Clive Crook raised: does sustainability divert attention from the company’s deeper fundamental ethical issues, in particular those related to banks, like money laundering?

Fabio Barbosa – In my opinion this journalist has been looking at sustainability through a different lens from the one we are using. I respect his point of view but our experience proves exactly the opposite. Sustainability has been a marvellous tool to address these fundamental ethical issues. To the extent we continue inserting sustainability into our different business areas we have noticed that our focus on a different business model has raised other questions, such



Mankind has a unique chance to join forces and strive to promote an era of peace and development.

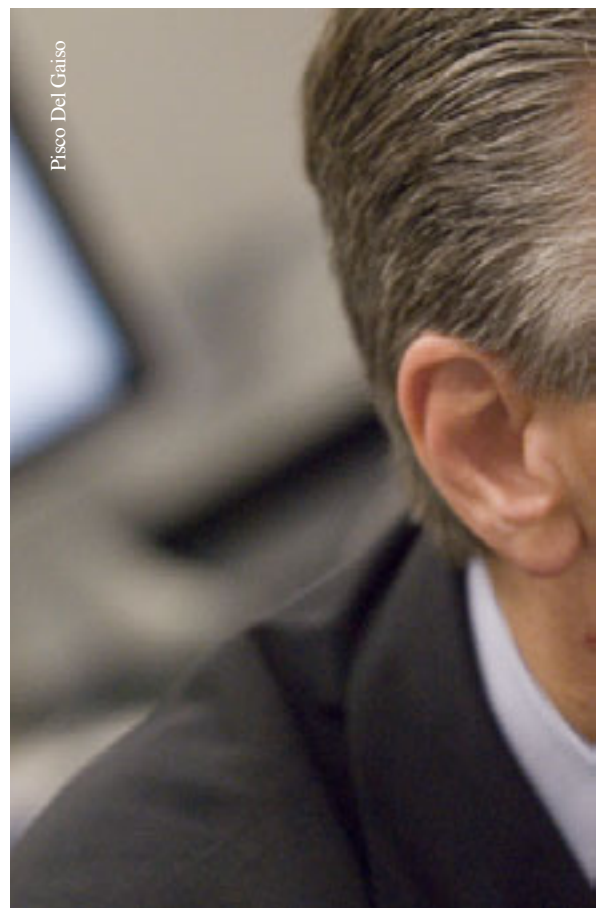


conducting socio-environmental risk analyses of companies before giving them any loans. In a few cases we terminated our relationship with companies, while in others we were rewarded by gaining new business. Sustainability doesn't divert attention away from fundamental ethical issues. Much the opposite: it attracts.

as treating customers with respect, transparency in our operations, an open dialogue about the Bank's profitability and the importance of charging fair fees. The example given, money laundering, is also one of our concerns, much more so today than ever before. We check the origin of the money, and any suspect transactions are identified and closely monitored. If a bank is lax with respect to money laundering, it's an incentive to criminal elements, and this will unsettle the business of the entire country in the medium term. This type of environment scares investors off, hobbles the economy of the country and affects our bank's business. From the point of view of a law abiding company, supporting or turning a blind eye to criminality makes no sense. I'd like to mention another example of this fundamental ethics question. When we began thinking about what a sustainable business model would be like and how it would operate, here is an issue we had to confront: does the Bank share responsibility if it lends money to companies that use it to practice deforestation? We came to the conclusion that the way in which the funds we lend are used is also our responsibility. So we began

Michiel Kerbert

Mr. Kerbert is Executive Vice-President, Retail. Originally from Holland, he loves Brazil and has now made it his home



Piseco Del Gaiso

1)) In its relationships, sometimes the Bank doesn't practice what it preaches. Why is this?

Michiel – There is a gap, and the key word to answer this question is evolution. We are experiencing a process of building a culture where changes in behaviour don't happen overnight. It is important to know where we are, where we want to be, and what our goals are. When we engage someone on this journey, at times they can't see the importance of their role. But this is not a problem; I see it as an opportunity. We want people to feel comfortable when we get out of step, because it's only when we recognise the problem exists that we can work on solving it. To do this we must have an increasingly more meaningful dialogue and understand that none of us can reach our goal on our own. But we're not kidding ourselves; after all, it's a profound cultural change.

2) Do you believe that financial capital is sensitive to the limits of natural resources or is it outside their influence?

Michiel – Financial capital is sensitive to anything related to risk. So, to the extent that these limits become evident and reveal a situation whereby an investment might not generate a return, this sensitivity becomes apparent. That's why the world's leading stock exchanges began creating their own sustainability indices. Companies listed on these indices are the ones that have seen their share prices rise the most. Now I would not call this sensitivity, but rationality, which is a good thing, because it brings consistency to how sustainability is maturing in the business world.

3) How do you reconcile profit with staff well-being in the company?

Michiel – In reality, it is all interconnected. When we look at the profit of a company we must also think about the profit it will generate in the future. We must see how it will support itself, how to ensure that the company continues to exist and make its contribution. And this can only be done by valuing human resources. To do this, every employee must feel well, identify with the work they do and be engaged with this way of doing business. And when employees feel well and feel they are part of the Organisation, they will contribute even more to the company, now and in the future.





José Berenguer,

Mr. Berenguer is Executive Vice-President, Treasury and Companies-Products, and leads a very active professional and personal life

1) Shouldn't social action and philanthropy be personal initiatives of shareholders and staff? Why should they be part of company management?

Berenguer – That's a good question. I know of companies that basically leave these activities up to their shareholders. But I believe that one does not exclude the other. Social problems are huge, complex and linked to environmental issues. They need everyone to mobilise. It would be ideal if all of us practiced this every day, and companies have a key role, since they have the power to mobilise their relationship groups. Here at ABN AMRO REAL, we have over 30,000 employees, not counting our customers and suppliers, and although we can influence them to help solve socio-environmental problems, they can do even more than that.

2) While a sustainability report describes a company's social and environmental responsibility, it also reveals a firm's weak areas in these areas. Doesn't this inhibit companies from using a spirit of innovation and entrepreneurship to establish sustainability?

Berenguer – No. The task of reporting is complex and takes time. We are proud

of including our weak areas in the report, because we are absolutely sure they are fewer now than when we began getting involved with sustainability. By reporting, we've been able to chart our growth for our relationship groups. Today, the most profitable companies are the ones that practice sustainability. And we have managed to show this here at ABN AMRO REAL, creating more value not only for the Organisation, but also for those with whom we interact. And more business has also come about as a result of this practice and philosophy. In this context, the report is an important demonstration of our results and efficiency.

3) Is sustainability a cost or an investment?

Berenguer – In the short term, practicing sustainability may seem more expensive, but over time it has shown itself to be a great investment. This is our way of doing business, and it has proven to be efficient and profitable. And when I say this I'm not making a value judgment about the way other companies act. We do it our way and we feel this positioning to be the most suitable for the time being. The others can succeed as well, but this is our way and it has generated good results in the medium and long term. And since we began back in 1998, the medium term is already here. We are already harvesting the results today. Now, we can't remain in a comfort zone. We must continue innovating to differentiate ourselves from the competition.

João Roberto Teixeira

Mr. Teixeira is Executive Vice-President, Companies-Clients. Born in Minas Gerais, he's a Rio de Janeiro native at heart, a Flamengo football fan and father of three beautiful girls

1) Wouldn't it be easier and more profitable to do like the majority of companies and just wait for the government to regulate the practice of sustainability?

João Teixeira – Absolutely not. Sustainability is a fundamental component in our business strategy. Our objective, as managers of ABN AMRO REAL, is to maximise the present value of future profits of the Organisation, and sustainability is also an instrument for this. We see sustainability not as an obligation, but as part of our business strategy. For this reason we don't feel there should ever be a specific regulation to propel these actions. It has to come from inside the Organisation.

2) “When money talks, sustainability walks.” Does sustainability only walk when there is money involved?

João Teixeira – I don't see that as a problem. In fact, it's the opposite. If every company adopted a sustainability stance in their daily activities, we would certainly see some positive impacts on society. It's important that companies see the benefits brought by sustainability to their business, which will allow them start adopting more sustainability practices. If this is an isolated action, it will not multiply in the long term. There is a personal belief side in each person that has to be respected and stimulated, but the idea of sustainability in companies has to be driven by bringing it into the daily operations. Of course this poses problems.

Because of our commitment, we face certain dilemmas and must follow our organisational beliefs. We experienced some of these during the past year, where we had to waive short-term profit in favor of maximising the present value of future results by adopting sustainable practices.



Pisco Del Gaiso

We support sustainability because we believe a system or business will have a future only if everyone is involved, where the stakeholders participate and share in the benefits.

Pedro Paulo Longuini

Mr. Longuini is Executive Vice-President, Finance.
Born in Vargem Grande do Sul, in São Paulo state,
he's a great nature over

1) Does the Bank support sustainability because it is more profitable for shareholders?

Longuini – We support sustainability because we believe a system or business will have a future only if everyone is involved, where the stakeholders participate and share in the benefits. Shareholders, like employees, clients, suppliers and the community, among others, are among our stakeholders, so they must and will receive benefits from this strategy.

2) How does the Bank intend to act in the low income segments, considering its sustainability stance? Don't high interest rates contribute to delinquency and end up contributing to social inequality?

Longuini – The 2007 Observer Survey conducted by pollsters Ipsos Public Affairs showed that in just one year over eight million Brazilians rose out of the low income bracket to join population groups with greater buying power. Last year the D and E classes comprised 84.8 million people, or 46% of the population. In 2005 these classes had 92.9 million people, or more than half (51%) of the Brazilian population.

The factors contributing to this upward mobility of the population include higher salaries, lower inflation and, particularly, increased credit. Through longer terms and better interest rates, credit increased the value of the money in the workers' hands. The survey also showed that credit, when applied properly, improves living conditions and reduces social inequality. Here at ABN AMRO REAL, in addition to traditional credit products, we also have a microcredit programme that since being introduced has provided financing to approximately 18,000 clients from low income communities.

3) Is there a conflict between profit and social well-being?

Longuini – There is no conflict between profit and social well-being: this is a false dilemma. A sustainability strategy has a direct impact on the result when we examine the productive process from end to end and implement ways to improve efficiency at each link of the chain. An example is our Reduce, Reuse, Recycle and Reinvent programme, which since 2002 has used environmentally correct paper in bank statements, printed materials, and since 2004, in our cheque books. Since 2003 we have reduced our energy consumption by enough to supply 21,500 homes for a month. We exchanged 1,000 vehicles in our fleet for flex engines, which allow the use of ethanol, a non-fossil and less polluting fuel. In addition to the direct impact on the bottom line brought about by these actions, sustainability also generates value in other ways. It brings customers closer, since consumers want a bank

that does business in a responsible fashion. Another result is the engagement of staff, whereby we have increased our capacity to attract, motivate and retain talents. Finally, considering social and environmental aspects helps us to reduce business risks.





Banks: agents of sustainability

Millennium
GoalERADICATE EXTREME
POVERTY AND HUNGERACHIEVE UNIVERSAL
PRIMARY EDUCATIONPROMOTE GENDER
EQUALITY AND
EMPOWER WOMENENSURE ENVIRONMENTAL
SUSTAINABILITYDEVELOP A GLOBAL
PARTNERSHIP FOR
DEVELOPMENT

The current model is a concentrator of wealth and challenges us to rethink everything from our individual life styles to the way we do business.

Open a newspaper these days and what do you see? - stories about chaos in big cities, floods, corruption, increasing urban violence, economists and businesspeople complaining about high taxes and asking for a reduction in interest rates, droughts reducing agricultural output, and the price of a barrel of oil continuing to rise. There's nothing new in that. We have become used to a world in turmoil and do not always notice the challenges of our times. The biggest of these is to be found between the lines of every news item we read, in the connection between the facts: we need a new understanding of the dynamics of society and its relationship with nature and the future, and we need to adapt to a world without borders and react to economic, social and environmental crises so that we redesign our way of doing business.

And how have banks contributed to changing this situation? The answer lies in risk management and creation of value. Since we began addressing the issue in the late 1990s, the movement of sustainable finance has gained ground and in Brazil and overseas. A number of financial institutions have begun to understand that they have a key role to play in building a new, truly sustainable business model. Nothing happens by chance. Previously, the general consensus was that banks did not harm the environment. At most, they did little more than sign documents. Social responsibility was a fundamentally subversive doctrine, as defined by the American economist Milton Friedman, winner of the 1976 Nobel Prize for Economics. Today, however, the situation has changed. Financial institutions have become targets of protests and campaigns. In response there has been a growing adoption of socio-environmental criteria in banking transactions. “The financial services market is going through a chaotic period of innovation”, says financial consultant Leo Johnson, an economist who specialises in sustainable finance.

According to Fundação Getúlio Vargas, a business school, 50 million people live below the poverty line (monthly income under R\$79 and unable to purchase food to meet basic caloric needs, as established by the World Health Organisation) in Brazil. This is more people than the entire population of Argentina (about 37 million) and practically the same number of inhabitants as South Korea. “Banks should be able to expand their market horizons by including more “unbanked” people in their portfolios. This is possible by offering goods and public services together. The majority of people without access to banking services are heads of families and work

in the informal economy. That is, they don’t get a pay stub”, says Anfré Urani, a professor at the Federal University of Rio de Janeiro’s Economics Institute, Executive Director of the Institute for Studies on Work and Society (IETS) and a consultant for the World Bank.

Risk and Opportunity go hand in hand

Broadening activities to generate opportunities for those at the base of the social pyramid is one of the components of this new business model. One example is the successful experience with microcredit - which we have also adopted in Brazil - that allowed Bangladeshi economist Muhammad Yunus to win the Nobel Peace Prize. In these new times initiatives that get the jump on regulatory requirements and take on the risk of innovation are necessary. “Today, banks and companies in general must assess whether a risk can be transformed into a project differential”, advises Leo Johnson. There is another important role for banks in encouraging sustainable practices and attitudes. In addition to working with the base of the pyramid, it is possible to fund research on renewable energy sources (see article on page 82), cleaner production methods and the purchase of eco-aware equipment. Using the capillarity of the branch network or the supplier and customer chains to spread sustainability are other ways that banks can become sustainable. Finally, increasing and strengthening risk management mechanisms is fundamental for a safer, more efficient and more just world. These actions and others covered in this Report are already part of our daily practice and with many of our competitors as well, which clearly shows a movement towards a new, more sustainable business model.

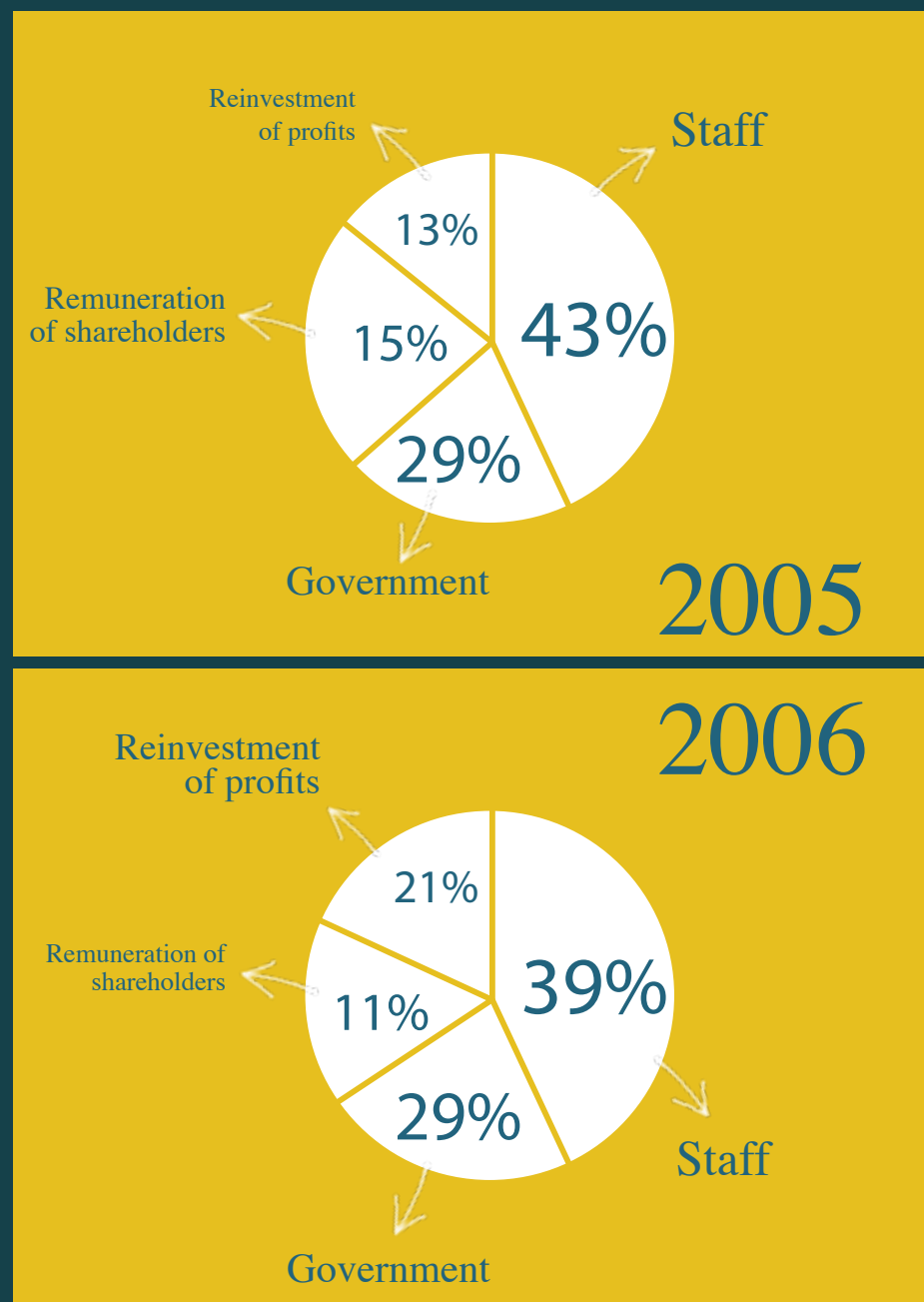
We see this movement in a very positive way, since we understand that the time has come to leave the concept of independence behind and focus instead on growing interdependence. So we have helped create a number of important sector-based initiatives. We are founders of the Technical Chamber for Sustainable Finances, created in 2005 by the Brazilian Entrepreneurial Council for Sustainable Development (CEBDS), whose goal is to discuss and publicise best practices in the Brazilian financial services sector. We believe that companies can thrive only in economies where consumer markets experience healthy growth. Through our CEO Fabio Barbosa, we have taken this vision to the Brazilian Federation of Banks (FEBRABAN), the local banking sector's leading discussion forum. Mr. Barbosa became head of FEBRABAN in April 2007.

Lower interest, more credit

But how can we have sustainability with Brazil's high interest rates? On January 14, 2007, economist and former Minister of Finance Maílson da Nóbrega published an article entitled "Interest Rates Will Drop, Banks will earn more", in the O Estado de São Paulo newspaper. According to the article, "To say that banks make high profits because of the interest rates is equivalent to saying that supermarkets benefit from rising food prices. Supermarkets tend to make more profit if food prices are decreasing, the economy is growing and inflation is dropping, since in this scenario they will sell more. The make their money in the difference between their purchase price of a product – plus their own costs – and the price they sell it for ... Contrary to popular belief, a drop in interest rates tends to increase bank profits. Lower interest rates tend to

attract more borrowers, which increases the scale of business. Since banks make their money on the spread, the more they lend, the more they profit. In addition, lower interest rates reduce delinquency and losses from bad loans."

Distribution of value-added



Where do the interest payments go? Professors from USP explain

In 2006, the Brazilian Federation Banks (FEBRABAN) commissioned the Institute of Accounting, Actuarial and Financial Sciences Foundation (FIECAFI) to study the composition of the spread (the amount the banks earn from making loans) and the distribution of wealth in the sector. The four professors from the University of São Paulo (USP) who carried out the study came to surprising conclusions, such as, for example, the average return for a bank on a \$100 loan is R\$9. The rest is split between provisions for losses, operating expenses, payroll, remuneration to saving accounts and deposit holders, and taxes (see page 20).

Banks have become stigmatised over the widely-held view that they make astronomical profits, although such opinions are based on a view of business that is only now beginning to change.

“Global capitalism has now come to a crossroads: without a significant change of course, the future of globalisation and corporations seems to be increasingly bleak”, says Professor Stuart Hart, one of the world’s foremost specialists in sustainable development, in his book *Capitalism at the Crossroads*.

This change has already begun to be felt in our daily life, as an increasing number of companies demonstrate they are identifying with this new way of doing business. Financial results continue to be indispensable yardsticks for business sustainability, combined with the capacity to promote social development and environmental preservation. After all, as Björn Stigson, President of the World Business Council for Sustainable Development (WBCSD) states in his article found on the organisation’s website, “there are no successful businesses in miserable societies”.



Farmers' Market in São Paulo: interest rates and banking fees are everyday conversation topics.

How much is earned from fees?



This is how the earnings from every R\$100 in service fees are divided up (fees, fund management fees and foreign exchange operations, among others), according to the FIPECAFI study. Fees are payments made for services provided by banks and vary according to the strategies of each institution. A few requirements are set by the Banco Central, such as exemptions for some services. More detailed information can be found at www.bacen.gov.br and www.febraban.org.br

Source: Fipecafi



Where do the interest
payments go?

The anatomy of interest

Bank profit comes from charging fees and loans to consumer, commercial or public sector clients. Typically, a modern bank is a listed company with thousands of shareholders, and its profits are derived from the investments these shareholders make.

Selic: Rate: the Central Bank of Brazil's benchmark interest rate, based on the goals of Brazil's monetary policy and macro-economic conditions.



$$\text{Selic rate} + \text{Spread} = \text{Interest}$$



Spread: the difference between the rates charged for raising money from the market and the rates applied to bank loans. It is comprised of several components. Among the variables that influence the spread in Brazil are the quality of the security provided for loans, taxes incurred by the operation, cost of raising funds, registered borrower constraints, delinquency, compulsory deposits that banks must make to the Central Bank, operating expenses and the availability of capital in the financial market.



Interest is the cost of money loaned, which varies by borrower and financial market conditions. The lower the interest rates, the more people borrow, the lower the delinquency rate and, consequently, the more the bank earns.

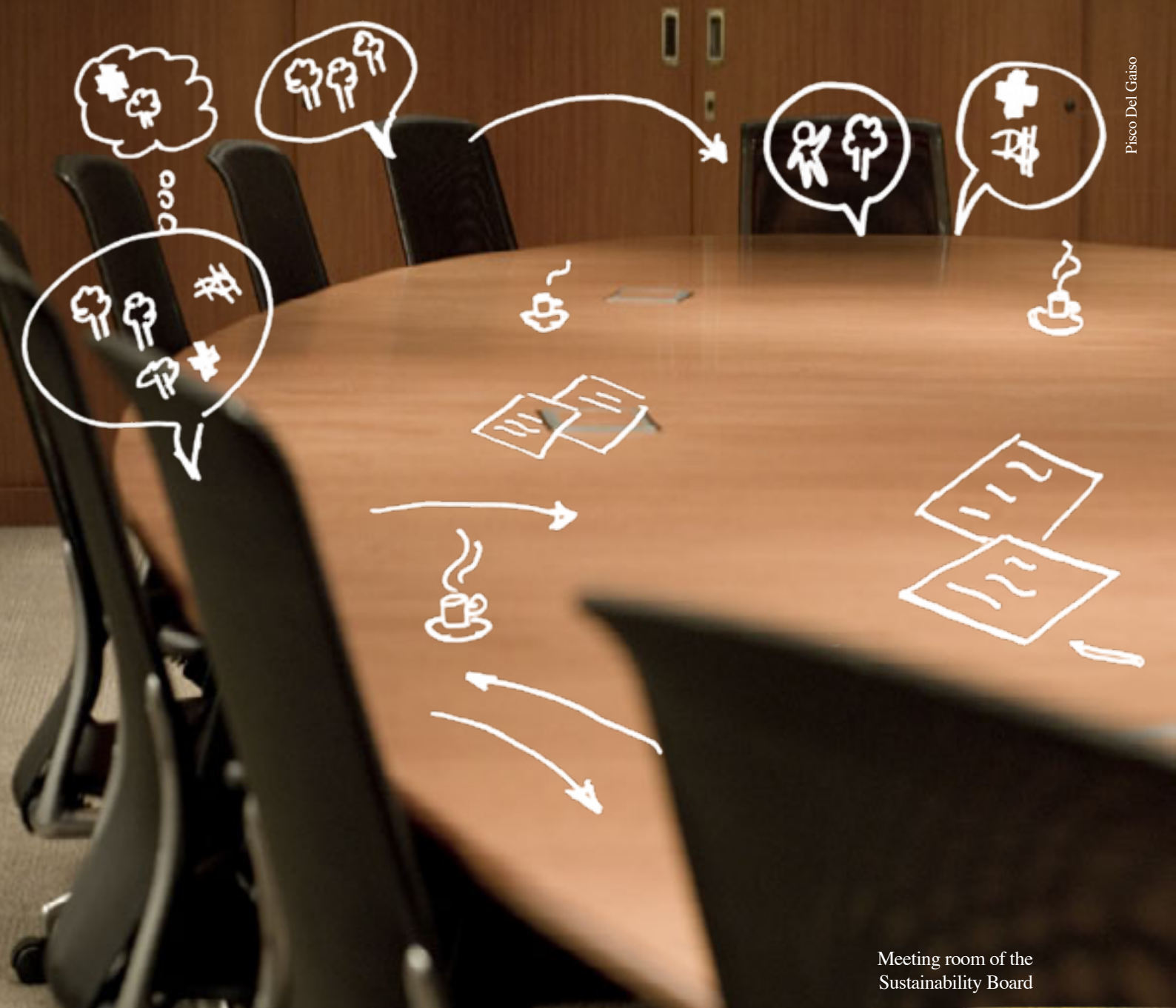
The Institute of Accounting, Actuarial and Financial Sciences Foundation (FIECAFI) conducted a survey of the distribution of value-added among financial institutions in Brazil, based on data supplied for the first half of 2005. Here's what they discovered:



The study found that banks make more from credit operations (42% of net income) and service fees (38%) than from treasury** (20%).

* operating expenses are the costs for technology, security, social projects, and hiring suppliers.

** treasury operations involve the buying and selling of securities. Lower interest rates mean lower profits.



Meeting room of the
Sustainability Board

We're in a hurry

Creating the Sustainability Board and encouraging more areas to create action plans will accelerate our progress on the journey.



Millennium Goal



One of our concerns has always been - and continues to be - how to accelerate the integration of sustainability into every area of our business. For a bank with over 30,000 staff members this is quite a challenge. Our task takes on an even greater sense of urgency because we began practicing sustainability well before the financial services industry came on board. Given these high expectations, we need to move quickly. After all, society is undergoing a process of change and we want to play our part and evolve along with it.

Shared Services Platform

But accelerating is not always easy: for instance, how do we align sustainability with the daily activities of the Shared Services Platform (SSP), which is in charge of back office branch operations like logistics and infrastructure? The SSP has about 11,000 staff members spread over five departments and takes up about half our budget. To face this challenge we created a sustainability front in 2005 and established an Action Plan, which was put into practice in 2006. In this plan the different departments are able to make their contribution by promoting sustainability into the daily activities of their own areas.

Sustainability Board

To ensure agility and internal alignment, the SSP's Action Plan and plans from other areas will be monitored by the Sustainability Board, which has the task of managing the integration of sustainability throughout the Bank. This new structure is the result of the gradual

progress of a journey which began in 2001 with the creation of the Management, Market and Social Action committees. In May 2006 the Board was merged with the Management and Market committees, while the Social Action committee remained separate.

About twenty people sit on the Board, representing the Bank's seventeen departments. The Board meets monthly and is chaired by our CEO, Fabio Barbosa, and features senior executives and specialists from areas such as Retail, Product Creation, Treasury and Credit.

One of the Board members, Carlos Ronaldo Ferreira, Executive Superintendent of the Consumer Client Segment, asked to join the group. "I saw the opportunity for exchange and learning with other areas", he says. His department creates products which offer strategies and service plans for small and medium-sized companies. For hospitals, for instance, Ferreira is evaluating a financing line to get accreditations, which are equivalent to corporate quality certifications. "This project will be discussed by the Board during 2007 and can receive input from other areas that have already established partnerships with other sectors, with similar parameters and principles. This will let us determine how to plan for sustainability-related trends and to differentiate ourselves from the competition as a result of this innovative positioning", Carlos adds.

Photos of real customers,
staff and partners, used
in the baby "Yuri"
campaign (center)



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**why did Yuri take
5 years to be born?**

watch the “Yuri” advertisement
at www.bancoreal.com.br/sustentabilidade

**Millennium
Goal**

Why did Yuri take 5 years to be born?

The result of how communicating our way of being and thinking about business has matured, the “Yuri” campaign marks one year of progress in publicising sustainability.

“I was about to leave my living room when the commercial came on. I’m not embarrassed to admit it, but I just stood there and cried”. Tuca Camargo, musical producer, is moved at the memory of watching the “Yuri” TV commercial which we aired in November 2006. Used to viewing commercials with a professional eye, he was caught off-guard by the storyline, which he calls “a true and natural sequence of life”. However, “Yuri” was not born overnight. To reach the right tone of communication that would touch and engage the public, we went through a complex process and gradual maturing of the concept, which began taking shape after 2001.

Speaking of sustainability in a simple way has been a goal of ours for a long time, though it has not been easy. We were one of the first organisations to bring the idea to the corporate world, and for many years we have been going it alone. We needed to bring more people into the discussion and make it clear that considering the economic, social and environmental aspects was good for business and for society. But we had to explain this new idea objectively and in a way that would engage people. The main challenge lay in demonstrating interdependence, a fundamental aspect of understanding the needs of our new goal of sustainability.

And this culminated in “Yuri”, who is the result of this process. The script for the commercial had individual stories linked together to explain the subject of sustainability, showing the benefits for people, the Bank, the environment, society and for baby Yuri, who represented future generations.

The innovative formula of the ad, showing that we are all connected, was such a success it was replicated in the promotional film produced for and shown at São Paulo Fashion Week. Only this time, the star was baby Isabella.

New sustainability portal

Spreading the idea also involved other forms of communication. In September 2006 we launched a new sustainability portal to share our experience and to allow everyone to work with us in taking the next steps of the journey. The portal has examples where sustainability has worked, an area to sign up for lectures with the world’s sustainability leaders, and references for books, articles and websites. It also shows useful ways for visitors to care for people and the environment, whether at home or work. Additionally, it has been designed so that in the medium term it will become the principal tool for maintaining a sustainability dialogue with our customers, suppliers and partners.

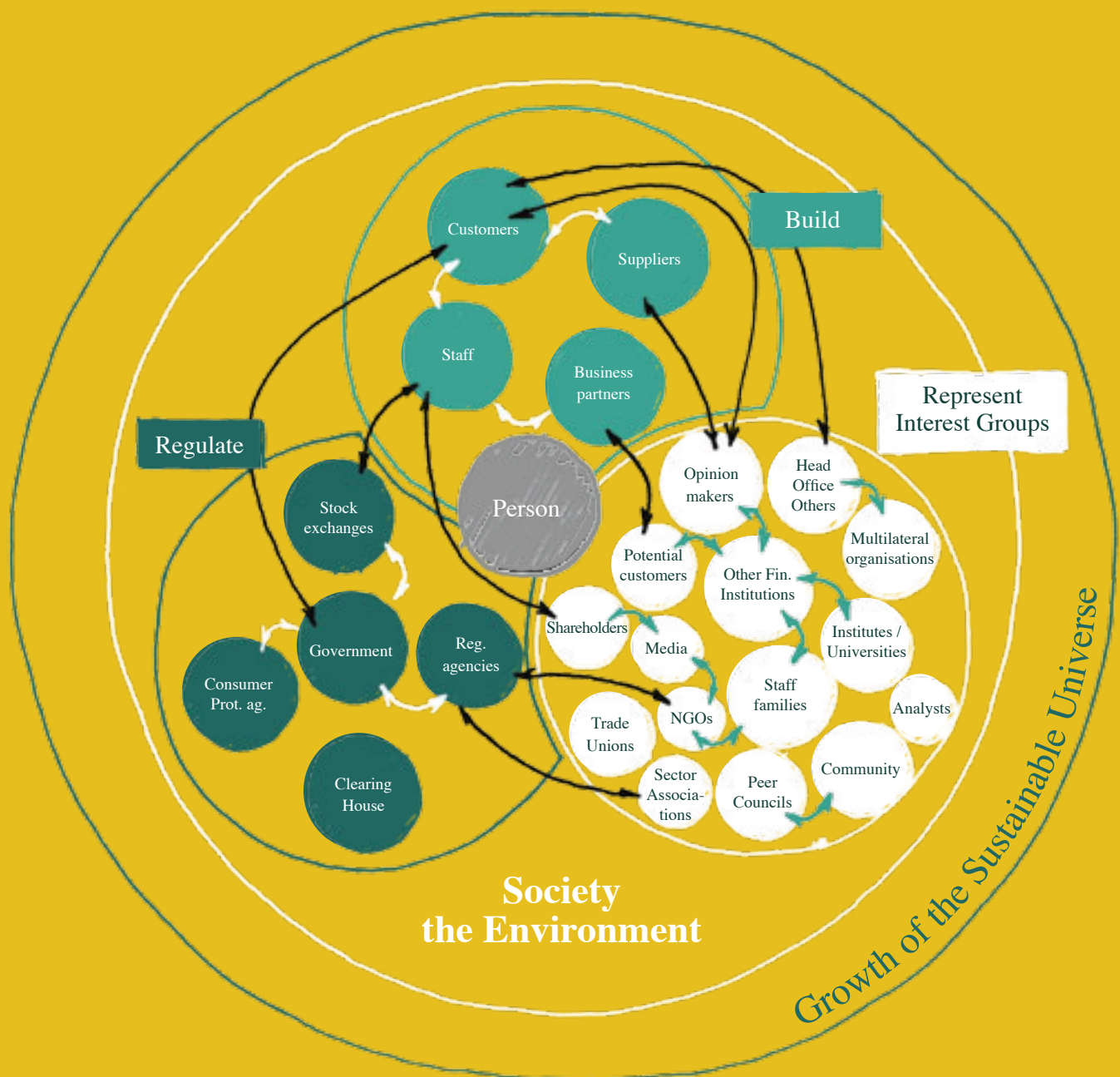
Real community

Another virtual environment vehicle is Real Community, which we launched in the second half of 2005. This is a relationship channel for participants to exchange sustainability-related actions and experiences through discussion forums, communities (the most popular being the sustainability workshop, Escola Brasil Project and the eco-efficiency tool), plus the message box and other tools. Real Community’s primary focus is in our staff.

Sustainability Meetings

To spread sustainability and show that we are not speaking alone, we invite staff, customers, suppliers and partner institutions to Sustainability Meetings. These are opportunities for the public to meet experts who see today’s world differently, and for us to draw more people’s attention to the topic. In 2006 the Meetings featured lectures from economist André Urani, financial services sector sustainability consultant Leo Johnson, education specialist Bernardo Toro, professor and researcher Bernardo Reyes, psychologist and anthropologist Susan Andrews, and Professor Oscar Villhena. Subjects addressed in these Meetings included the rational use of natural resources, combating inequality, generating income, education and new trends in society. All the content is available through the sustainability portal.

our stakeholders





The more awards, the more responsibility

In 2006 we were recognised nationally and internationally for integrating economic, human and environmental values into our daily activities. The awards we won are recognition that the model we have adopted is working, and that it helps inspire other companies to practice sustainability. Overall, ABN AMRO REAL garnered 49 awards in 2006, including the Financial Times Sustainable Banking Award as the Year's Most Sustainable Bank in Emerging Markets; the World Business Award from the International Chamber of Commerce and the UN for the contribution of sustainability practices in achieving the Millennium Development Goals; and the Eco 2006 Award from the American Chamber of Commerce (in three of six categories). We were also considered one of the country's ten model companies by Exame magazine's (Editora Abril) Good Corporate Citizenship Guide.

External Education and Training

	2005	2006
Number of outside people trained (suppliers, clients, community and outsourced workers)	156	584

We asked, they answered

Imagine 600 of the Bank's managers gathered in the same auditorium and putting questions to 12 people representing staff, investors, customers, social and environmental NGOs, suppliers and the former President of the Central Bank of Brazil. This unprecedented event in Brazil took place in December during our annual leadership meeting. "A pioneering bank must confront the regulatory authorities to bring about a change for the entire market and prevent the onus of innovation from falling only on those which take risks", stated Dr. Gustavo Franco, former President of the Central Bank, when asked about the role of private sector banks in sustainable development within Brazil's legal framework. Valdemar de Oliveira Neto of the Avina Foundation explained that the main challenge for society is to reach those people at the base of pyramid, the four billion less-off individuals on our planet. "The issue is how the financial system creates mechanisms to address minority groups", he argued. These are some of the concerns we live with once we begin to understand that the way we do business will affect the future, and that the road can also be built with everyone's participation.



Balancing, life and a challenge for everyone?



Employee



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Balancing life and work:
a challenge for everyone?

Millennium
Goal



ENSURE ENVIRONMENTAL
SUSTAINABILITY



DEVELOP A GLOBAL
PARTNERSHIP FOR
DEVELOPMENT

plataformadediálogo

FÉRIAS

Você pode trocar a mensagem todos os dias. Basta apagar e escrever.

Fazendo mais que o possível

ABN-AMRO

Fazendo mais que o possível

Fazendo mais que o possível

work:

The search for a balance between professional and personal life is a sign of our times, and can bring benefits to employees and the company



Wilson Hernandez,
Superintendent of Solution
Certification for Branch Operations

When he took part in our Leadership Development Programme, Wilson Hernandez, Superintendent of Solution Certification for Branch Operations, chose the theme “How to achieve a balance between professional and personal life” for his end-of-course project. This was no accidental choice: having worked in financial institutions for 27 years, Hernandez himself has been a victim of this unbalance. “Many of the tips I give in my paper are for myself”, he observes.

The difficulty to balance one’s personal and professional life is a sign of our times. Work has become all important in our lives, relegating families, friends and even our own well-being to a supporting role. Over time, though, this situation tends to be harmful for companies, since long working days tend to bring on stress and burnout, and professionals tend to lose productivity and efficiency. Working too much is not sustainable for employees or for the organisations they work for.

“It’s no use speaking about sustainability and then scheduling a meeting for six o’clock on a Friday afternoon”, says Carlos Nomoto, Superintendent for Sustainable Development. From the Bank’s standpoint we still have difficulty in balancing sustainability with the demands of the modern world, which does not stop at 6 pm. There is no easy solution. The humanisation element in our Business Model, which puts the individual at the centre of our processes, is critical for us to avoid a corporate relationship which does not see the person behind the employee.

On this premise we opened a dialogue channel about this and other issues. Called the Dialogue Platform, it promotes pro-active behaviour by creating conditions for everyone to share their daily activities and independently ask questions or request assistance.

REDUCE STRESS

The Platform is based on four pillars or open communication channels. The Specialised Personal Support Programme (PAPE, or Programa de Apoio Pessoal Especializado) is a personalised individual guidance service provided by a third party whose teams of specialists deal with a broad range of personal issues. Service is also available also for family members. The Behaviour Questions and Dilemmas channel, managed by the Compliance area, helps with situations of personal conflict. The Reporting Channel lets staff report instances of negligence, intimidation, discrimination or any other suspect behaviour, whether criminal or anti-ethical. The Good Practices channel is designed to share solutions and practices with everyone.



like a tightrope walker

How can we provide financial counselling to anyone if our own personal accounts are making us lose sleep? We often have to deal with our own problems and those of our customers at the same time. When we discovered that this was happening to some of our staff, we began holding events called Life and Work Encounters. The first cycle, in 2006, dealt with Personal and Financial Balance. The lecture covered planning and budgets, and distributed a template spreadsheet for use by the participants. About 440 people took part in the six events. For 2007, theatre plays and lectures have been planned in response to topics suggested by participants, such as sedentary lifestyle, stress, family time and work time, and problems with drug abuse.

Good ideas get copied

Thanks to the Good Practices channel, a team from the São Lourenço branch (MG) was able to show its colleagues a feasible solution for selective waste collection. In conjunction with the neighbourhood association, they stockpile a large amount of recyclables which is then collected by a company from a neighbouring city. Many branches outside Brazil's larger cities cannot carry out their waste separation ideas because of insufficient volume. This idea was one of the 2006 Best Practices award-winners.



Aparecida Arriaga,
Superintendent for
Commercial Actions,
30 years with the Bank

Analyst Célia Miyashiro,
at yoga class



Pisco Del Gaiso

Pisco Del Gaiso



Henrique Delicio, a teacher at the Musicians project, where staff
and family members can learn to play musical instruments

Pisco Del Gaiso



Healthy Life

Another programme, Healthy Life (Vida Saudável), promotes a number of sports activities and practices which support integration and improving the quality life of our employees. One of these is the Musicians project, created in May 2006, in which 55 employees and 15 family members learn to play musical instruments. “Music has the power to relax people and stimulate their imagination”, says music consultant Henrique Delicio. The lessons can be put into practice in recitals held in the auditorium at the Bank’s headquarters. The first of these took place in December and featured an adaptation of “A Christmas Carol” by Charles Dickens. “The audience loved it!” Henrique recalls.

While some staff members expand their musical horizons, others practice relaxation and self-knowledge exercises through yoga classes. Begun in April 2006, three groups with 20 participants are taught by a teacher hired by the Bank. The idea arose out of a request from the Risk Department staff. “First, we gave a lecture to explain what yoga is and then we started for real”, says

student and analyst Célia Miyashiro, in charge of coordinating enrolment. In addition to benefits for mind and body, there was increased integration among the staff. “People who worked on the same floor had barely known each other”, she says.

The search for quality of life comes from a change of attitude, and that can take time. Even so, some results have already begun to appear. Aparecida Arriaga, a 30-year veteran of the Bank and currently Superintendent for Commercial Actions, says that previously employees had bosses and subordinates. “With the new vision, which came about slowly, managers of course still need to give orders, but they also have to be concerned with people, their professional development and family, among others. It’s a broader relationship that gives me access to my managers and my team”, says Cidinha, as she is known by her colleagues. Through this structure, which allows us to learn from mistakes and celebrate success, we plan to build a sustainable relationship with the person behind each of our employees.



makes the difference

Millennium
Goal

The more diversity a company has, the more competitive it is, and the greater its capacity to understand and better serve its customers and create a healthy working environment.

The Christmas Exhibition, held during December 2006 in the lobby of our São Paulo headquarters, reflected what we would to see happen in society: signs at the entrance and maps in Braille, a shoe repairman in a wheelchair who works to make his customers' feet more comfortable, a blind African-Brazilian girl conductor ... in short, people of all types, races, genders, sexual orientation and creeds coexisting in harmony.

In 2001 we began a long journey to promote diversity. This was the starting point for the recognition that people are different, and that these differences help to create a more productive world which is richer for having more points of view. We value diversity as a human value and a strategy. We elected to make our staff aware and educate them by promoting inclusion at our administrative and branch facilities, linking inclusion to business and creating a work place which respects and welcomes diversity. The more diverse we are, the more we can understand and better serve our customers and create a healthy working environment.

The "Talking about Diversity" manual, which we published in 2003, kept diversity in focus by valuing diversity and encouraging managers to make staff aware of the topic's importance. At the same time we began assembling a broad-based review of our recruitment, selection and career plan procedures. The Diversity Committee created work groups made up of professionals from different areas, who meet every month to set targets and assess progress for reviewing policies and processes to develop specific products for our relationship groups. Take a look at what we have accomplished so far.

Women

Previously our male and female employees were equal in number. Now, 53% of our staff members are women, and this number is growing, though slowly in executive positions: from 25% to 30% at the senior manager level. The Mentoring Programme takes up the challenge of assisting with professional and skills development for our female staff by giving them career advancement opportunities. Currently there are 30 participants who receive guidance from 20 male and female mentors. Breast feeding facilities have been set up in two administrative buildings, and the experience will be expanded to

other areas which have a large number of female employees.

African-brazilians

Dentro Within the Junior Executive Program, with help from Fundação Getúlio Vargas and Zumbi dos Palmares University, we hired 75 African-Brazilian trainees for a two-year professional enhancement program, with 15% of their time taken up by distance or on-site education courses. Fifty participants come from the University itself. Overall, 12.8% of our employees are African-Brazilians, compared to the 8% average at the six largest banks in São Paulo, but below

disabledblack

“ the search for balance makes me more productive at work ”

Fernanda Delfini Cera, an Education consultant for the Human Resources Department, joined ABN AMRO eight years ago, before the merger with Banco Real. Since then she has changed areas a few times, but always laterally. “At the beginning of the Mentoring Programme I was renovating my house, taking a course and changing sectors in the Organisation. I was so up to my neck in work that I just went on auto-pilot. The programme was a chance for me to stop, to reflect on what I was doing. Our discussions involved the mentor’s experience in the issues I was going through. I’ve never had problems in the companies where I worked, but I feel that women are more divided between home and work. I have two children and sometimes I feel this way. On the other hand, the search for balance makes me more productive at work.”



the 20% figure employed by the São Paulo state government. These figures are courtesy of a Ministry of Labour survey conducted in 2005.

GLBT

The most recent segment group to join forces with the Diversity Committee says we have created a favorable climate where sexual orientation can be expressed and respected. Created in 2006, the GLBT (Gay, Lesbian, Bisexual and Transgender) Group has strengthened internal and external actions developed for this specific relationship group, such as medical and dental plans and pension funds which

extend to our employees' same-sex partners, plus home loans based on family income of a same-sex couple. For years we have participated in GLBT-related trade fairs and events as part of our commitment to welcome diversity.

People with disabilities

The Efficient Generation – a programme focusing on inclusion for disabled university graduates – offers six-month trainee opportunities that can be extended a further six months. In 2006, 15 trainees participated and 67% of these were hired. In 2004 we had 272 staff members with disabilities;

s glbt Women

Fernanda Delfini Cera of the Human Resources Department, participant in the Mentoring Programme

Pisco Del Gaiso

today we have 1,320. These positions used to be filled through extra budget allocations, but now the rule is to fill the available openings. We also created manuals for managers which show how to hire disabled people and help them with self-service. Law 8,213/91 requires that 5% of the staff must be disabled, and although we expect to meet this

“ I feel at ease in participating with the GLBT Group because I believe in the initiative and the importance of each one's contribution in establishing an environment that promotes the personal and professional growth of our talents ”

Glória Gonçalves, employee of the Bank since 2002 and member of the Diversity Committee



quota by late 2007, we also expect to exceed it, as diversity is a cornerstone of our business strategy.

Young Apprentice

The Young Apprentice Programme is carried out in partnership with a number of NGOs and offers professional training for young people to prepare them for the job market. The programme runs for two years and is designed for young people aged 14 to 24 who are enrolled in the public school system and whose family income does not exceed three times the minimum wage.

Seniors' Project

Respecting differences also includes age, and we have a long tradition in this area, such as the Banco Real Seniors' Talent Award, now in its 9th edition. Another initiative, the Seniors' Project, helps people aged 45 and up to complete their secondary schooling and participate in selection processes for administrative positions and in the branch network. We also look after retaining talents from among our current employees, valuing older people and their experiences, which, together with our other staff members, contribute to innovation and excellence in everything we do.

Gloria Gonçalves is a financial specialist in our Supplier Relationship Management department. A graduate in Psychology, she has been an employee since 2002 and is part of the Diversity Committee. Although she lists herself as being single - since Brazil does not officially recognise same-sex marriages - she has had a stable union for over 12 years, and is equally well accepted in her family and at work. "One of the things I've learned is that I don't need to draw attention to the fact I'm homosexual, but there's also no need to hide it. I feel at ease in participating in the GLBT Group because I believe in the initiative and the importance of each one's contribution in establishing an environment that promotes the personal and professional growth of our talents."

David de Souza Rosa, a junior administrative services analyst in our Gerência de Ofícios of the Branch Network Operations Directorate (the area that answers law official letters on information of our clients), is a Business Administration graduate and joined the Bank in October 2003. Although several colleagues were already aware, he became open about his sexual orientation at work after joining the GLBT Group and says he is surprised by everyone's acceptance and understanding.

"I believe there is less prejudice nowadays. However, what worries me is camouflaged prejudice, that is, people who say they accept it just so they won't look bad in front of other people, but in reality the prejudice is still there, kept inside. On the other hand, it's clear that many people now speak much more openly about the issue. After all, a person's professional skills are connected to their potential, not their sexual orientation."

Mauro Sergio Souza, branch manager at the Alto da Pompéia Sudameris branch, has worked in the financial sector for 27 years. He is also a coordinator of the African-Brazilian Group in ABN AMRO REAL's Diversity Committee. "In 2005 a staff census was conducted internally by the Bank, and one of the questions was about race. I confess that even in front of the computer I found it difficult to say I was black. I feel that others like me had the same fear. After all, Brazil has had over 500 years of persecution and discrimination. People are afraid of negative consequences from a questionnaire, for example. But it's important that each of us identifies himself or herself to the Bank so we all have an idea of the actual size of our group, and so we can then work on specific policies. Unfortunately, I don't know any other African-Brazilian branch managers here, but I feel that in our Organisation the window of change is beginning to open. Unfortunately, this won't happen overnight, but I can say that I have already done something to change the situation."

"I confess that even in front of the computer I found it difficult to say I was black. I feel that others like me had the same fear. After all, Brazil has had over 500 years of persecution and discrimination."

Mauro Sergio Souza, has been in the financial sector for 27 years, and is a coordinator of the Bank's African-



Pisco Del Gaiso



Together with a friend, Vagner Francisco de Assis, who works at the São Vicente (SP) branch, introduced paralympic football in the city of Praia Grande, where he lives. Patiently he convinced other colleagues with disabilities to join the team, which ended up by participating in the state championship. “Many disabled people are capable of working, but face prejudice. Our desire is simple: to be a part of society.”

Carolina Golebski and Mariana Amato both work in our Avenida Paulista headquarters, in the ABN AMRO REAL Academy and the Head Office Library, respectively. Both women have worked with us for three years and both have Down’s Syndrome:

Carolina – “Many people find it strange to see someone with Down’s Syndrome working. But we can work, study, go to the gym, stroll and date. I practice my civic responsibility. I vote. We have our rights and they’re the same as any other citizen’s.”

Mariana – “I used to work in a place where I had to stay in the store room. I never got to talk to anyone. I had to stay isolated. That’s not inclusion.”

Vagner Francisco de Assis, of the São Vicente (SP) branch, dreams of playing for the Brazilian paralympic football team



Sign: SORRY FOR THE
INCONVENIENCE,
WE ARE WORKING TO
BETTER SERVE YOU

**DESCULPEM O TRANSTORNO,
ESTAMOS TRABALHANDO
PARA MELHOR ATENDÊ-LO**

Some stoppages are necessary
to redesign and improve procedures



“My story as an ABN AMRO REAL customer began on Thursday February 1, 2007, at 3:15 pm, when I went into a branch to open an account. Although the branch closed at 4 pm, I didn’t leave there until twenty past five. There were four managers, but I was referred to Vanessa (name changed to protect the employee), who was the only one handling customers. I waited more than an hour and a half. To make matters worse, I left without my account number, as my documents still needed to be approved. My future manager promised to get back to me the next day. She didn’t. On the ninth, I tried a few more times and managed to get through to her. I told her the whole story, and she said the account had been approved, but that it would take another day or two for the number to be available. On the fourteenth, two weeks after the beginning the process, Vanessa called me to give me my account number, although my debit card and cheque book wouldn’t arrive for another ten business days. In short, it took me nearly a month get my new account operational.”

Processes and discipline

Normally it takes 48 hours to open an account, from the moment the customer delivers all the necessary documents to the branch. The debit card should be delivered in a maximum of seven working days, and cheque books within ten days. However, cases like the one above can happen. Any breakdown in the account opening process leads to delays which inconvenience customers. There is always room for improvement, and this is a fundamental aspect of our ongoing review of processes. Our Business Model is built on having the best process and execution discipline, which is one of the Organisation’s priorities for 2007.

Our customer’s difficulty to open an account revealed a weakness: we need to improve how we learn from our mistakes.

Civil servant **Sandra Mara Azevedo** was a frequent caller to the Bank’s ombudsman office. At least once every six months she would contact us to complain, make suggestions or give compliments. Last year she received an invitation to be part of the Van Gogh Customer Council. In spite of her initial misgivings, she accepted.

“Right from the first meeting I realised no one was trying to sell me anything and that they really were interested in listening to the customers. Few companies are willing to do this. I soon realised that those two-hour meetings were not a waste of time. We actually help in trying to find solutions to problems faced by other customers. In 2005, for example, I took out a mortgage. From the first talk with my manager until the money to buy the property was credited to the vendor’s account, I had to wait four months, in addition to having to collect 22 documents. The only reason I didn’t lose the deal is that I had made a 50% down payment. I told my story to the Council, and at the last meeting the person in charge of the sector told us that mortgages now have a turnaround time of 20 days and require just eight documents. Today I believe the Bank is serious about the sustainability message they put across in their TV commercials. The recycled paper used in the mail and cheque books are physical proof of this. But I only got a full realisation of it after joining the Council. I knew the Bank had this vision, but I didn’t really know that much about it. I really am with the right bank.”



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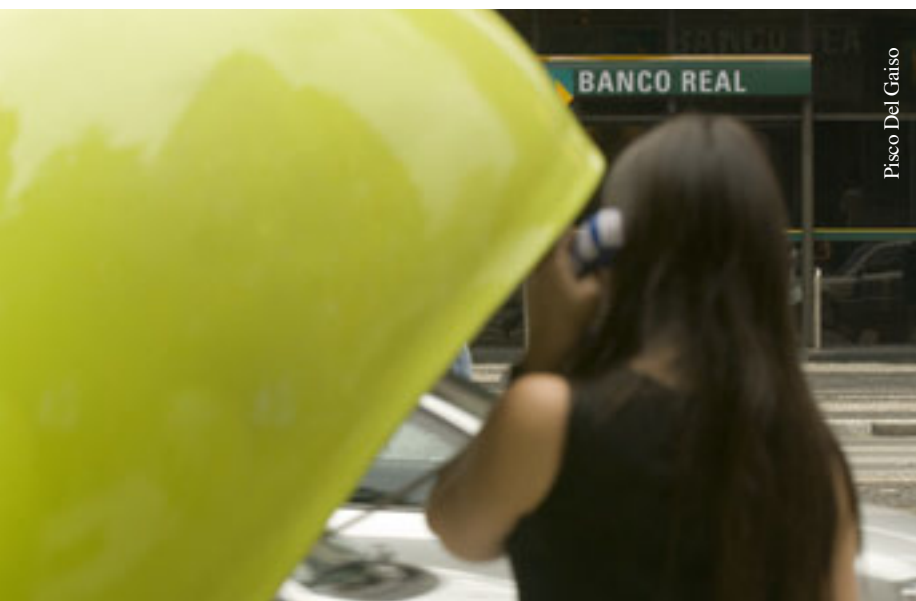
sorry for the inconvenience,
we’re working to better
serve you

Millennium Goal



Telephone service is one of the contact channels for clients

The difficulties faced by our client underline one of our most delicate challenges: narrowing the gap between our procedure models and providing service every day to over 13 million customers. “It reflects the difficulty that every corporation, not just banks or this Bank, face in implementing a new service posture, that requires changes in habits, attitudes, and in short, a new culture whose standard is the tireless search for satisfaction”, says Gizelda Giampetro, Superintendent of the Suggestions & Complaints department.



“Hello. What’s the advantage of having a sustainable bank?”

Customers and non-customers can get answers and give opinions through our Call Centre and portal. But as the “Sustainability Bank” are we prepared to speak about sustainable development? While trying to open her account, our client took the opportunity to investigate.

Complaints as opportunities

Gizelda also points to a broader issue: the difficulty we have in relating to mistakes. In the corporate world there is a tendency to hide failures and put the spotlight only on the success stories, when in reality it is possible to learn from both. “We must see complaints as reinvention opportunities for the Bank to improve its procedures”, observes Adevan Cardoso, a Continual Improvement coordinator.

In 2006, the Suggestions & Complaints department began to answer directly to the CEO, which ensures streamlined procedures and autonomy. S&C works like our immune system, detecting failures and presenting a diagnostic for each situation to track

“What is the differential of being a sustainable bank?” and “What is the impact of this on the customer?” were the questions she asked through our telephone service. Customer Service Assistant Regina very calmly explained our stance and showed the need for everyone to become involved in socio-environmental issues, standards of ethics and transparency in relationships. She clearly explained our actions and programmes and suggested visiting the website’s sustainability area. “In addition to ongoing training for service teams, we’re focused on promoting customer satisfaction. In 2006 several initiatives were implemented, like projects to provide access for the disabled”, explains José Osvaldo Nardini, Executive Superintendent of Commercial Channels.



Wanna buy a product?

For us, the ideal relationship with our customers is long lasting, bringing benefits to all stakeholders: customers, shareholders, society and the environment. Lending money appropriately, and not pushing products, is essential in achieving satisfaction and cultivating a long-term relationship.

In the branches, our teams provide the Right Credit for their customers, guiding them on the proper use of our different financing lines. At the same time, we try to create facilities, such as ten interest-free days on a Realmaster loan, to be used for unexpected situations.

Another key point is not to foist products on our customers. For this reason we created ARTE, which stands for business Attitude for maximum Result of profitable relationships with Tenacity and Excellence in service delivery. The name is long, but the definition is simple: this is a sales and management methodology that seeks total satisfaction by focusing on the customers' own focus. The idea is to interact through the Customer Profile and Financial Needs Analysis tool (PANFI), which helps us to better analyse and determine the needs of each customer and promote consulting-based ethical sales. This approach can reveal opportunities that the manager and even the customer may not have noticed.

Training helps us determine the needs of each customer



the solution of the problems and check whether there are any side effects to be dealt with. Ongoing improvements groups were created to map out and classify those products with the highest number of complaints to the Central Bank (BACEN), Consumer Defence (PROCON) and Customer Care areas.

Even with these measures, complaints will initially increase before they begin to drop off. To know what the mistakes are and how we learn from them, we have to increase the ways of receiving complaints and encourage people to make them. To achieve this, all our customer contact channels are being expanded and publicised. We have also created a Council comprising eleven customers in the Van Gogh segment, whose term lasts one year. Sandra Azevedo, the civil servant featured earlier in this article, is one of the Council members. Our goal is to expand this idea to other segments of our operations.

The documents required to open a branch account go to an operations center, where they are processed...



... and the information is checked.





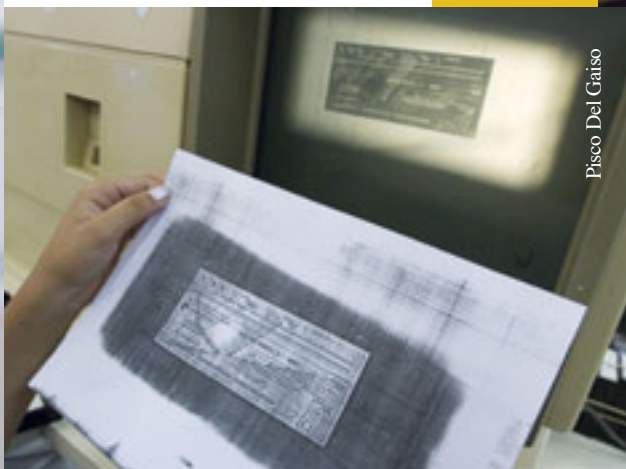
In addition to learning from our mistakes, the challenge lies in seeing the importance of the interdependence of the work done by each employee, from senior management down to the teller. This allows us to draw a parallel with our sustainability model, as a basic premise for making a business sustainable is the recognition of this interdependence as fundamental factor for success, not just for our activities, but for all of society as well.

Behind the scenes in the Bank

While our client was opening her account, a strategic back office area of the Bank went into action: the Shared Services Platform (PAPE). Each activity, request or service performed for customers who interact with staff – whether a teller, manager or other branch staff member – corresponds to a number of actions performed in this area. Although this work is done in a back office not seen by customers, it can impact directly on their satisfaction.

The copies the customer delivered to the branch were sent to one of three operations centres in São Paulo which handle our data processing requirements. There, an employee checks whether all the documents requested were delivered and enters the data into a computer. A second person checks what was done and sends the documents back to the branch. Prior to 2006, branch managers were responsible for this second check, but today they only have to confirm the opening of the account on the system. By centralising these operational functions, the branches can stay focused on customer needs.

Microfilming cheques is another service done in the PSC operating centers...



... where the microfilm is stored.



Microcredit;



Client



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microcredit;
macro challenges

Millennium Goal





macro



Client

Caruaru Market
(Pernambuco, Brazil)

challenges

With a R\$2,000 loan, business woman Marli Ferreira dos Santos opened her shop in Osasco (SP).

R\$ 1.500

R\$ 200

R\$ 2.000

R\$ 12,8 bilhões

R\$ 10.000

R\$ 261



Since August 2002 RealMicrocrédito has provided financing to about 18,000 customers, representing R\$49 million in loans. This is a small figure when compared to the almost R\$9 billion - plus R\$12.8 billion from Aymoré Financiamentos - of credit we gave to consumer clients in 2006 alone. For our microcredit operations our challenge is to break-even by the end of 2007. Current figures show that in Brazil there are more than ten million small companies in the informal sector, employing nearly 14 million people. Despite this potential, microcredit struggles to take off in this country. Why is this?

Gallagher, Executive Director of Planet Finance Brasil. In some ways, the models tested until now have been very much inspired by successful experiences in other countries of Latin America and, to a lesser degree, in Asia. “Still very little is spent on research to discover what Brazilian customers actually need”, claims Manuel Thedim, Director of the Work and Society Studies Institute.

In spite of the obstacles, we were investing in microcredit before Muhammad Yunus, founder of the Grameen Bank, won the Nobel Peace Prize, or before the Brazilian government began creating microcredit incentives. So why did we decide to invest?

A SUCCESS in other countries, microcredit has a long way to go in Brazil, adding new challenges for our operation

The answer involves a number of characteristics of the Brazilian economy: there are excessive regulatory constraints for the financial system, a lack of information showing who the good payers are, the Federal Government's welfare state policy, and even the ease of obtaining consumer credit. Within the Brazilian financial system, for example, anyone can buy a sewing machine or an oven in dozens of small instalments, without the slightest bureaucracy. At the same time, experts point to the importance of private sector banks in this process. “We have to treat microcredit as a business, and not as corporate social investment”, says micro-finance consultant Terence

“Because there is a huge potential market in Brazil for expanding credit, particularly to those who don't have access to financial institutions and banks. And microcredit is an important tool to support income generation for small business people”, says José Giovanni Anversa, Managing Director of RealMicrocrédito. “We focus on the customer's business, in buying machines, equipment, raw materials and goods. We also offer credit for working capital and small renovations, but we do not fund the purchase of consumer goods like refrigerators or cars.” To avoid this happening, our agents monitor the use of the funds and the development of our customers' business.

At right, seamstress Josilene Cordeiro who makes pants in Toritama (PE) and is a client of...



Pisco Del Gaiso



Pisco Del Gaiso

... Walderice Feitoza (above), coordinator of the RealMicrocrédito office in Caruaru (PE).

Rosana Aurelina da Silva, owner of a company with 22 employees



Pisco Del Gaiso

RealMicrocrédito is an operation created in partnership with Acción International, an NGO with experience in implementing programs in micro-finance. As a 2% equity owner, Acción ensures the methodology and technical assistance provided by the programme. Currently, 70% of the financing requests are approved. "We often receive requests for R\$10,000, but after analysing the customer's profile, we find that R\$1,500 is sufficient to achieve their first stage objectives", José says. The loan renewal rate is somewhere around 60% to 70%, considered good by the Bank, even though there is no specific study to use for comparison purposes.

Is the informal economy sustainable?

Our clients are micro-business people, who live in poor urban communities and work in the formal or informal economy, as seamstresses, in tyre repair shops or as owners of small businesses. A total of 62% are women.

To become eligible, applicants are not required to show proof of income. They simply have to show their identification, CPF tax registration number and proof of residence. Loans range from R\$200 to R\$10,000 (the average amount is R\$1,600), with interest rates starting at 2% a month. For a second loan, amounts can reach up to R\$40,000. Our support



The 2006 Nobel Peace Prize was awarded to Bangladeshi economist Muhammad Yunus, known as “the poor man’s banker”. The Nobel Committee felt his efforts to eliminate poverty could lead to lasting peace, that “cannot be reached unless large groups of the population find the means to leave poverty”. “Microcredit is one of these means. The development that comes from below also serves to broaden democracy and strengthen human rights”, concludes the document published by the Committee. He began in 1976 by lending US\$27 to help 42 women who had debts with loan sharks, and in 1983 he founded the Grameen Bank (which translates as “village” or “rural”) to make small loans to people who would find it difficult to get them from traditional banks. Today, the Grameen Bank has over 6.9 million customers, with delinquency rates of less than 5%. Yunus’ experience subsequently inspired other initiatives worldwide. In Mexico, the Compartamos (Let’s Share) serves almost 400,000 people, and plans to have one million customers by 2008.

The Village Bank

of informal business people raises questions inside and outside of the Bank, but one of the consequences of good microcredit is the inclusion of its clients in the formal sector.

In other words, the consulting service offered by our microcredit agents allowed business people to organise their affairs sufficiently to start paying tax. However, no survey has measured the number of people who enter the formal market after receiving loans. In coming years the challenge is to quantify this occurrence, in addition to the social and environmental impact of these ventures.

A R\$2,000 loan given in July 2006 was fundamental for business person Marli Ferreira dos Santos to open a

formal company in Jardim Veloso, in Osasco (SP). In addition to organising her books and servicing her working capital needs, the money was used to pay the R\$500 required to register the company and take her shelves and window displays to larger premises on the same street. “The company allowed me to start taking credit cards and consequently increase my turnover”, she says. “Since this takes a while, I only started billing in February.” Her motivation has also increased.

In January Marli applied for a new loan, this time for R\$1,500, to buy 200 backpacks at the Brás district sunrise street fair to outfit her customers’ children for back-to-school. “I sold them all”, she adds.



This picture shows people trying to survive on their own initiative and entrepreneurial skill. Our agents supply the funds and counselling to improve business and working conditions.



Sewing shops are responsible for assembling garments following the instructions given by designers and brand names.

"Whenever we hear the noise of a sewing machine coming from inside a house, we know there's a potential client."

Walderice Feitoza, Supervisor of the RealMicrocrédito office in Caruaru, handles the Toritama area, in which this shop is located

“I shot at what I saw and hit what I hadn’t seen”

Um One example of the hit and miss of our experience in RealMicrocrédito is in the municipality of Toritama, located in the hinterland of Pernambuco and one of the main Brazilian hubs of jeans manufacturing. The initial strategy focused on laundries responsible for dyeing, softening, fading and washing the fabric. The idea was to lend money to micro-business people in the segment so they could invest in building a suitable effluent treatment system which would prevent the dumping of waste products into the Capibaribe River. Due to weaker than expected demand, and the need for R\$15,000 in financing to purchase environmental equipment, a figure in excess of the microcredit average, our agents saw the potential for business in other stages of the jeans production chain.

“I shot at what I saw and hit what I hadn’t seen”, jokes Walderice Feitoza, Supervisor of the RealMicrocrédito office in Caruaru, and responsible for the Toritama area. Hundreds of small ventures operate in the city, most of which are informal, and consequently have difficulty in getting access to

banking services. Getting new customers means keeping your ears peeled.

“Whenever we hear the noise of a sewing machine coming from inside a house, we know there is a potential customer there”, Walderice explains.

Rosana Aurelina da Silva, aged 24, owns a sewing shop (responsible for putting together garments according to instructions issued by designers or name brands), with 18 sewing machines and 22 employees. In December she got her first loan, R\$1,000 to be paid in four R\$261 instalments. The money helped to buy buttons, thread, zippers and other sewing materials for when orders increased. “It allowed me to deliver the orders without problems”, says the entrepreneur, who has only a grade three education. Servicing customers is the main differential in microcredit. This is like ant colony work. Customers establish a deeper relationship with their credit agent. “More than offering loans, agents visit us, talk a lot to us and show they are interested in how our business and work is doing”, says seamstress Josilene Cordeiro. Her work covers the entire process. She buys the fabric, cuts surf shorts and pant designs, orders garment assembly in sewing

Profile of Microcredit customers (by type of activity)	Loans		Portfolio Size (in R\$)	
	2005	2006	2005	2006
Food and Beverage (1)	2.501	2.857	3.681.148	4.295.296
Textiles (2)	1.903	2.671	3.147.660	3.989.261
Sales and Services (3)	653	870	1.136.992	1.496.018
Consumer Goods (4)	898	1.661	1.266.768	2.343.141
Health and Beauty (5)	1.728	2.711	1.768.287	2.800.715
Transport (6)	200	239	332.594	380.341
Education (7)	63	89	138.068	151.883
Other (8)	275	403	683.003	907.540
TOTAL	8.221	11.501	12.154.520	16.364.196

(1) Bars, grocery stores, fruit and vegetable stores, snack bars, confectioneries, butchers, fish shops, etc.

(2) Clothing and shoe manufacturing and shops, second-hand clothes shops, shoe repairs, tailoring, textiles, etc.

(3) Car repair garages, metalworkers, painting, carpenters, sawmills, documentation agents, graphic arts, video rental shops, etc.

(4) Sale of miscellany, bazaars, handicrafts, stationary shops, etc.

(5) Beauty salons, barbers, cosmetics retail, manicure and pedicure, etc.

(6) Cargo and freight transport, school transport, motorcycle courier services, etc.

(7) Schools, colleges, daycare facilities, bookstores, etc.

(8) Other non-classified businesses: real estate, pet shops, florists, packaging, photo developing, etc.

shops like Rosana's, and finally, sells the products at local fairs, which receive visitors from all over the country. Her most recent loan, R\$2,250, helped purchase fabric and sewing material to sew 400 capri pants for adults and children. "With microcredit, I didn't have to ask to buy on credit, which is always more expensive in the end."

Seamstress Josilene (left), with Josiane, her RealMicrocrédito agent

The money helped to buy buttons, thread, zippers and other sewing materials for when orders increased



Pisco Del Gaiso



Pisco Del Gaiso

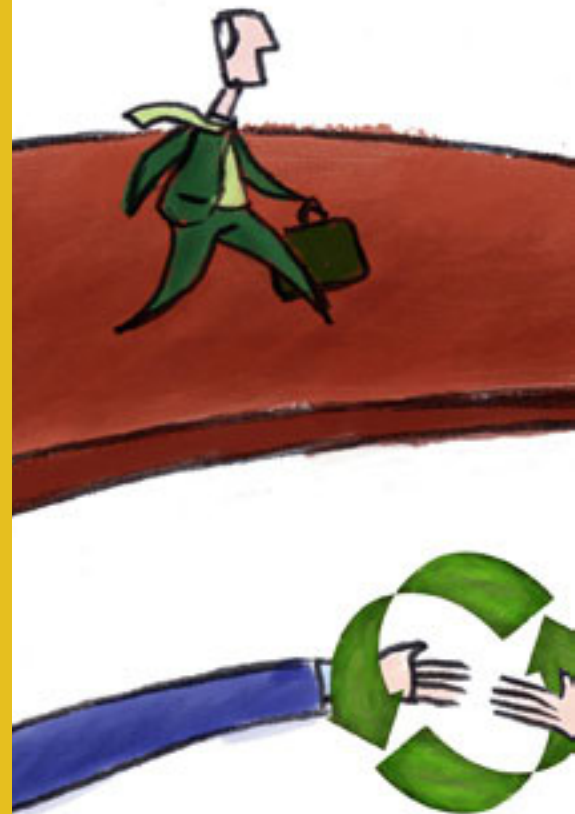
Employees assembling garments at the Toritama dress shop

“Sustainability
is the main
business in
my portfolio.”



Neubert Cecchetti, Regional
Manager in Rio de Janeiro, works
in the Bank's Middle Market area

Eduardo Monteiro/Fotonauta



Identifying with
our way of doing
business has
attracted medium
size companies
that are ready
now to adopt
the standards
of tomorrow



Client



www.bancoreal.com.br

sustentabilidade

relatório de sustentabilidade

**sustainability is the main
business in my portfolio**



Millennium
Goal



The opening statement from Neubert Cecchetti, the Bank's Regional Manager in Rio de Janeiro, illustrates the change afoot in our area that works with medium size companies. In this segment, which handles well-established companies with annual earnings of up to R\$150 million, our business has been growing in excess of 40% a year, and sustainability has been an important factor behind this growth. Many of these firms, which now represent 12% of our income from commercial clients, have sought out the Bank because of shared values.

This is the case with Gráfica Minister, a leader in the state's printing market for 18 years and which has always maintained close ties with socio-environmental and cultural projects. It was also the first company in Rio de Janeiro to treat 100% of its waste and since the beginning has been one of the few firms to take steps to limit its environmental impact by

treating its gas emissions. After watching a presentation by the Bank about sustainability, Adolpho Aragão, President of the Rygy bikini factory, realised that we shared the same values as Minister. Mr. Aragão referred us to Felipe Calil, the owner of Minister, and his firm subsequently became a client. In addition to being the company's banker, we have also helped it in the Graphic Arts and Design Cultural Centre project by bringing partners to help make the project happen, which will get underway this year. The programme, designed by architect Oscar Niemeyer, offers professional training for young people and prepares them for the job market in culture, recreation and technology.

Shared values

"In this segment there are plenty of business people interested in developing sustainable practices, but who don't do it because they can't get the financing or expertise to support them", says Altair

A Setin building site. Setin was the first construction company in South America to be ISO 14001 certified, thanks to its procedures to control environmental impacts and continual improvements to optimise the use of natural resources.

Pisco Del Gaiso



Assumpção, Superintendent of our Middle Market area. “We really bought into the idea of funding these companies. When we see that they share our values, we back them all the way.” Many of these companies face larger, better capitalised competitors, and so are going through a crucial period in their history: how can they hold onto the ground they’ve gained? Many of the people who run these companies already know that a vision of sustainable business is the way forward. Another contributing factor for success is that in this segment our managers have direct access to company presidents and owners, which greatly helps the implementation of the commercial relationship and adoption of sustainable practices.

Another company that chose ABN AMRO REAL because of shared values was Synthesis, which is active in the construction and environmental consultancy sectors, among others. Its project to build the head offices of BR Distribuidora in downtown Rio de

Janeiro involved more than just erecting another gleaming tower. The company adopted labour training and employee literacy programmes for the site workers. In addition, it contacted RealMicrocrédito to offer loans to small businesses nearby, as Synthesis wanted to ensure that the 3,000 employees of the new facility - which is planned to open in 2008 - can rely on the services of the 40 registered professionals (sales attendants, mechanics, bar owners) in the immediate area. “Bonds between us and the Bank will certainly become stronger while we carry out this project”, says Mario Cezar Fernandes Alves, Financial Director of Synthesis.



Pisco Del Gaiso



Pisco Del Gaiso

Win-win-win

The same thing happens with slightly larger companies such as Setin, a construction firm which had been our client a few years ago, but which subsequently drifted away. In 2005 sustainability helped bring us and Setin much closer together. “We took part in a workshop that really helped us clarify a number of issues. The nature of our business is closely linked with sustainability. The property market has a major impact on the environment. Not only do we interfere physically with the land we’re building on, but also with the surrounding community and the local economy. Today, we can no longer adopt the same standard of behaviour as we did before”, says Daniel Setin, the company’s Institutional Relations Manager. Setin was the first construction company to have its projects funded using socio-environmental criteria and also became the first company in Latin America in its sector to be ISO 14001 certified. The result of this relationship is what we like to call the “win-win-win” of sustainability, where all the parties come out ahead. The construction company received servicing, products and services suited to its needs. By adopting socio-environmental practices on its job sites, society and the environment benefit. At the same time, we generate new business through maintaining a stable, long lasting relationship with our customers, and have the possibility of being referred for future partnerships.

Is sustainability fashionable?

Considered the world’s fourth largest fashion event, São Paulo Fashion Week (SPFW) represents a productive chain that involves natural fibre manufacturers all the way to foreign buyers. According to the Brazilian Textile and Garment Industry Association, the fashion industry is the country’s second biggest employer, generating 1.6 million jobs, or 17.2% of all the jobs within Brazil’s manufacturing sector. This potential was one of the reasons that led us to support the 22nd edition of this event. Our partnership with SPFW can generate business opportunities and large scale visibility for our positioning. Paulo Borges, who worked at the Bank in the early 1980s and is the creator of SPFW, noticed that the trend for differentiation in Brazilian fashion could be based on sustainability. A pioneer in adopting sustainable processes and materials in its production and set-up, SPFW is the world’s first fashion event to adopt and practice being carbon neutral. Our objective in supporting SPFW is to bring together participants in the fashion industry’s productive chain into collaboration networks, based on areas of common interest. This initial contact was fundamental to determine our approach for the sector and create specific projects to promote the incorporation of sustainability among our partners and simultaneously generate business for the Bank.



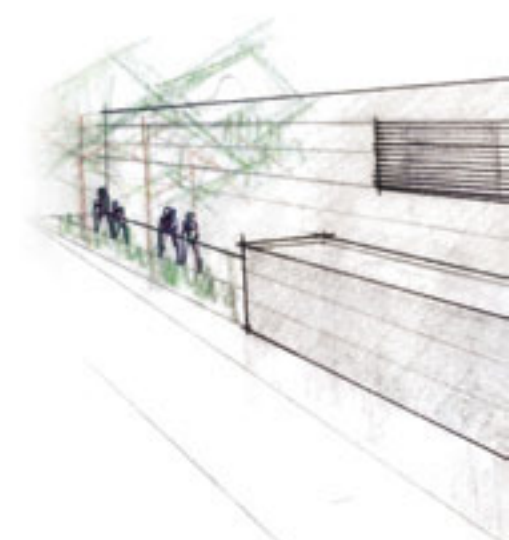
Growth Webs

The “join forces to win” formula is nothing new, but this makes it no less valid. For over 20 years the regional grouping of companies in the same sector has proven to be one of our best means to bring about access to knowledge and reduce production costs in small and medium-sized companies. Using this background as a springboard to attract new customers, in January 2006 we opened a Collaborative Networks area by running two pilot projects in the state of São Paulo: one in Jaú, a city which is a centre for the domestic women’s footwear market, and another in Birigui, which manufactures 60% of Brazil’s children’s footwear.

A multidisciplinary team formed by three areas of the Bank visited local companies, mapped out their profile and the needs of their customers, and then drafted a diagnostic that was used to establish a number of initiatives such as a presentation on collaboration, a financial management course, a sustainability workshop and offering segment-specific products like working capital adjusted to the seasonal nature of the business and funding for second-hand equipment.

A nose for sustainable business

In 2005 we undertook two major education actions to show our managers how sustainability can generate business opportunities. The first was the Sustainable Business Workshops run by consultant Leo Johnson of Sustainable Finance, in which 662 managers took part. The second was Training in Sustainable Business Opportunities, held between August and December and involved 2,000 managers.



Innovation is only possible through better relations with our suppliers.

(the clear

The equation apparently does balance: on one side we want to influence suppliers to adopt sustainable standards in their business as a way of ensuring our own sustainability and avoiding risks for our business. On the other, suppliers feel compelled to charge more for services based on more exacting standards. In the current business model this rationale seems to have been accepted, but we don't agree that sustainability represents additional costs. So the solution to this equation is as complex as it is simple: innovation.

"In building the Granja Viana branch in the city of Cotia (SP), we could see that sustainability is not a seven-headed monster", says Gabriel Aroca Gama, an engineer with Trieme, the construction company responsible

for Brazil's first project to follow sustainability guidelines. The Granja Viana branch demonstrates not only the Organisation's concern with socio-environmental issues, but also serves as a model for enhancing our supplier relations. "We were already studying ways to implement sustainable construction when we heard of the Bank's interest. We took the opportunity and committed ourselves to submitting the winning bid", he adds.

Better to change by choice than by obligation

A The project still requires more planning, testing and flexibility by all parties (see page 72). During construction, for example, Trieme suggested a new technique to save time and reduce



Building process

2

waste. Instead of using a ready made pozzolanic lime mortar, the company suggested a potassium silicate-based substitute – which was suggested by one of Trieme's partners. The partnership also generated joint learning experiences.

Additionally, cementitious plates were used instead of plaster, which is a non-recyclable material. However, coating the plates with mineral-based paint, which is less elastic than chemical-based paint, led to the appearance of cracks caused by the plates' natural movements.

Together we studied a solution to the problem and new suppliers of materials have already come up with alternatives. "With the know-how acquired we hope to properly insert sustainability into our

portfolio. The market is already changing, and if we don't change by choice now, we will be forced to change later", Gabriel says. With this project Trieme gained a new business front and we got a bank branch which meets sustainable construction standards.

Even with all this innovation the project cost about 30% more than a regular branch. So if it is more expensive, is it sustainable? "We know that in time we'll get our investment back due to savings on maintenance and reduced water and electricity use" explains Carlos Henrique Tonon, Superintendent of Engineering. In addition, with the increased interest and demand for this type of construction, construction materials can start being produced on a larger scale, new suppliers will enter the

Millennium Goal



ACHIEVE UNIVERSAL
PRIMARY EDUCATION



PROMOTE GENDER
EQUALITY AND
EMPOWER WOMEN

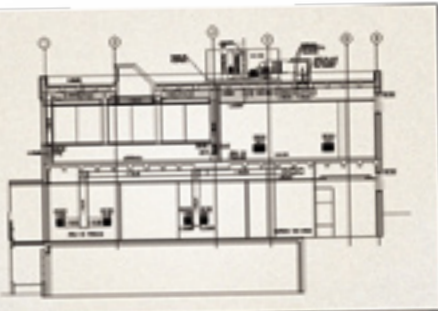


ENSURE ENVIRONMENTAL
SUSTAINABILITY



DEVELOP A GLOBAL
PARTNERSHIP FOR
DEVELOPMENT

archivo



The construction of the Granja Viana branch in Cotia (SP) used recycled materials together with new techniques to minimise the project's social and environmental impact.

archivo



archivo



archivo



archivo



Pisco Del Gaiso



Pisco Del Gaiso



market and prices for these materials may consequently fall.

Measuring the result

Our history of a structured relationship with suppliers began in 2001 with annual meetings. In 2005 we started the 3rd Cycle of the Suppliers Forum, to which we invited over 100 suppliers. Of these, 73 accepted the invitation to use the Ethos Indicators and conduct a self-assessment to identify opportunities for improvement, while 56 have created action plans based on using this tool. In May 2006, during the second meeting of the cycle, we launched the Supplier Channel, a website where companies can access their file, contractual or payment information or send suggestions and complaints.

We have also launched a pilot for our new supplier management model, which is designed to reinforce partnerships and incorporate the principles of sustainability into the relationship. The two main stages of the model are qualification and performance assessment. In the qualification stage, companies carry out a self-assessment of their technical, administrative / financial, social, environmental and governance aspects while the ABN AMRO REAL team checks the information provided through documentation analyses and on-site visits, among other actions.

The performance assessment stage examines how the contract is fulfilled in quantitative (duration, amount and compliance) and qualitative (customer, operation and people management) terms with a joint effort to achieve continual improvements.



innovation =
↑ sustainability ↓ costs

The supplier performance index is one of the tools that can help us improve our relationships and create value for both parties. “Generally, the Bank is still hesitant to come and talk to us. This contact shouldn’t occur only when there’s a problem or an adjustment to be made. It should be part of the strategy to continually improve the relationship. We can and want to give and receive suggestions for improvement”, explains Sérgio Stella, owner of InfraService, which for four years has provided the Bank with cleaning and conservation services. To measure results for the Bank and its suppliers, and their impact on sustainability, we are developing a management tool called the Value Matrix. This instrument features a set of organisational performance factors which can be affected by sustainable development-related activities

At the brokerage houses

For the first time in 30 years in this industry I was called in to talk about sustainability.” This statement by former football referee Arnaldo César Coelho, owner of stock brokers Liquidez DTVM, shows that little is said about sustainability in the world of brokers, who are the securities trading intermediation agents between investors and the Bank. Due to the strategic position they occupy in our business, however, we had to share our values with them. The response was a workshop organised for 23 brokers and securities distributors in October 2006. The event’s main objective was to introduce a new way of assessing this relationship group.

The process, which began with a self-assessment questionnaire, includes social, environmental and governance criteria in addition to more traditional administrative-financial and technical-operational aspects. This procedure will not eliminate companies from being partners, but allows them to be classified by the assessment criteria, which leads to better insight, dialogue and decision making.

Our DNA in brick and mortar

If sustainability was already part of our DNA, it is now also in our walls, or more precisely, in the bricks. The Granja Viana branch in Cotia (SP) is the first structure in Brazil built in compliance with sustainability standards. The building used advanced technologies in eco-efficiency to address five basic criteria for this type of construction: energy efficiency, indoor environmental quality, sustainability of the space, sustainability of materials and rational use of water. As Brazil has no certifying institutions in this area, we used the standards developed by Leadership In Energy and Environmental Design, which is connected with the internationally recognised United States Green Building Council. Following are some of the solutions featured in the branch.

Sustainability at home

Visitors to our website can browse through virtual environments and learn how to improve their relationship with the environment and people. Some tips are small changes in habits, like making sure your water taps are turned off properly. Others represent new attitudes, like officially hiring domestic help.

Visit our virtual home or company at www.bancoreal.com.br/sustentabilidade.

Construction

During construction we employed waste management and internal air quality control procedures. Ecologically correct materials were used, including recycled concrete and cement (containing blast furnace steel slag) and water-based paint. We also separated and stored recyclables for collection, and used reusable polyurethane molds. To reduce carbon emissions during transportation, most materials were manufactured locally. Finally, only certified wood was used in the doors, baseboards and stairs.

Air conditioning

All electrical equipment is energy efficient, with high output and low consumption. The air conditioning system is evaporative, and does not use environmentally toxic gases. Since it only reduces the air temperature by an average of 5°C, a conventional air conditioner - which also uses ecologically correct gases - had to be installed for use on hotter days only. To reduce heat islands, a green roof was developed, whose plants help maintain the indoor temperature.

Restrooms

Automatic shut-off taps were used. Toilet bowls have double-action flow and use collected rain water. All sewage is treated.

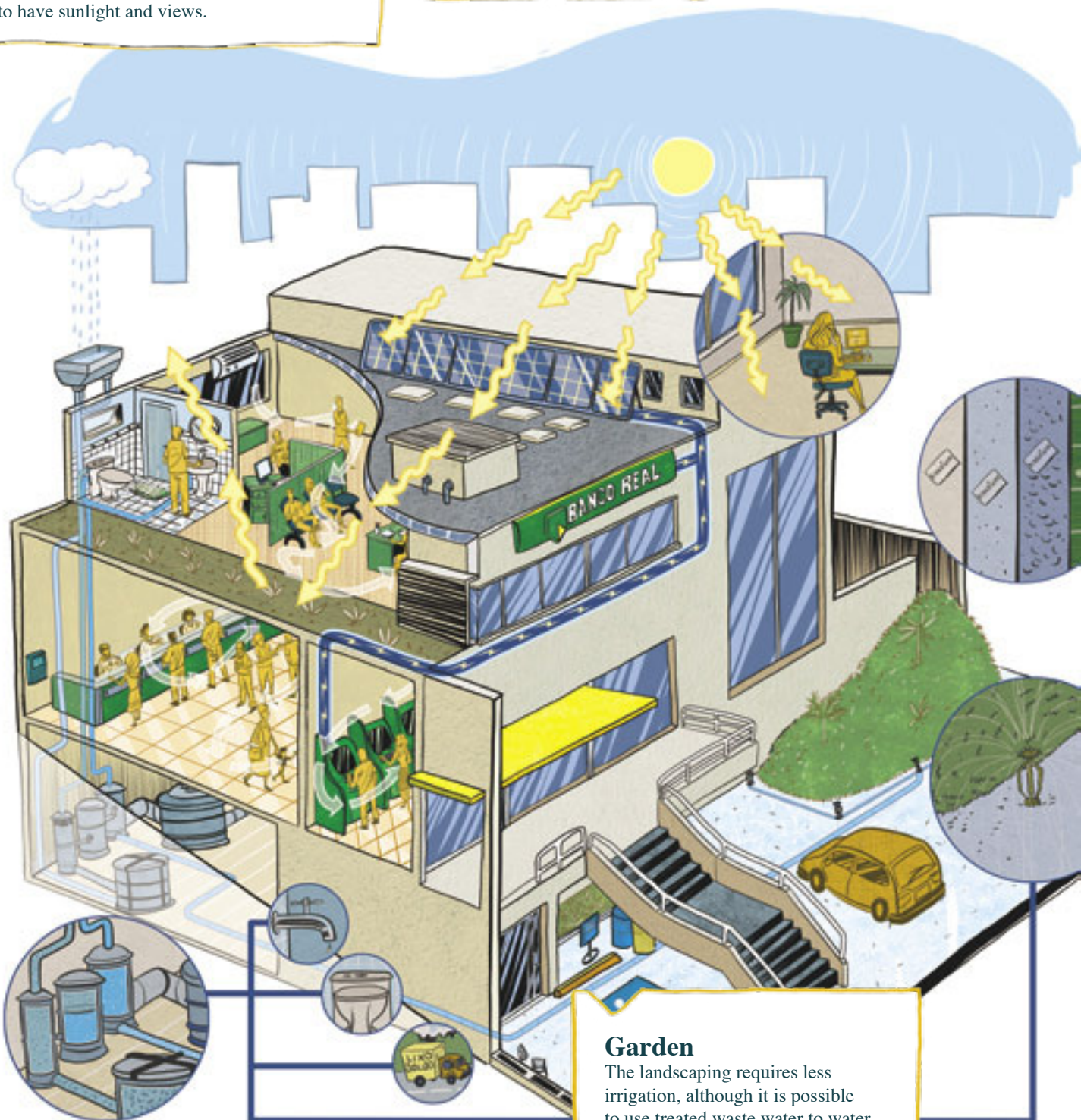


Lighting

Lighting controls have been automated for each sector of the building. To take advantage of natural light but without warming the interior, brise soleil and shed skylights were used, which also allows most areas to have sunlight and views.

Solar energy

At night the self-service area is lit by solar energy captured during the day by photovoltaic panels installed on the roof.



Garden

The landscaping requires less irrigation, although it is possible to use treated waste water to water the plants.

- 1 - IPCC (Intergovernmental Panel on Climate Change)
2 - INPE (Instituto Nacional de Pesquisas Espaciais,
in English Brazilian Institute for Space Research)
3 - NOAA (National Oceanic and Atmospheric Administration)

rise of
18 - 59 cm
in sea level²

facing the problem
now would cost

1%
of global GDP

the Earth's average
temperature can rise

1,8°C - 4°C
by 2100²

if nothing is done, losses of
US\$ 7 trillion
in the global economy¹

Changes in ever



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sustentabilidade

relatório de sustentabilidade

changes in everyone's
pocket and lifestyle

Millennium
Goal



between
1 and 3,2 billion
people can suffer from
shortage of water²

average temperatures
in Brazil will be
26,3°C - 28,9°C³

everyone's lifestyle

Global warming, caused by increasing carbon emissions, threatens to cause trillions of dollars in losses to the global economy and requires a transformation in the way we act.

A heat wave hit the northern hemisphere in 2006 and caused dozens of deaths. Here in Brazil, soy plantations in the mid-west were flooded, a rare hurricane hit the south of the country, and part of Rio Grande do Sul state is slowly becoming a desert. According to scientists these changes are consequences of global warming, an old issue which only recently has begun to attract the attention of the mainstream media. In early 2007 the Intergovernmental Panel on Climate Change - which is backed by 600 specialists from 40 countries - issued a new warning which paints a sombre scenario, including a forecast that sea levels could rise 18 to 59 centimetres by 2100. This might not seem like much, but would put Brazil's coastal cities like Rio de Janeiro, Salvador, Recife and Florianópolis at risk.

Additionally, the World Bank's former Chief Economist, Nicholas Stern, has translated this threat into economic terms. According to his calculations, climate change can be responsible for the biggest economic crisis in history, impacting on up to 20% on the wealth produced on the planet and losses of up to US\$7 trillion. Due to the alarming nature of this threat, people who had been unmoved by the human side of the

Have you noticed how odd

Pymilford / Gettyimages



Global warming threatens the planet's most important regions and animal species: polar bears suffer due to melting pack ice.



issue were finally able to quantify its potential impact on the global economy.

To avoid the situation, Stern proposes that changes be made now, most importantly in reducing emission levels of carbon dioxide, the main gas behind global warming. This is not a task just for governments or companies, but for all of us. It requires changes both in individual life styles and in the way we all do business. We have encouraged this through our socio-environmental funding. In 2006 the portfolio had over 5,000 contracts representing a total of about R\$217 million. The idea behind this funding is to address the need for conscientious

consumption, and the qualification and promotion of quality of life. We finance projects for water and sewage treatment, emission control, alternative energy sources, adaptations to obtain licenses and certification, waste products, recovery of contaminated soil, emerging technologies, organic agriculture, reforestation and safety and health equipment, among others. For consumer clients, we offer credit lines for acquiring and installing natural gas kits, equipment to capture solar energy, extension courses and national and international congresses for health and education professionals, vehicles

d the climate is all around the world?

Fabiana Beltrami/Folha Imagem



January 2007: a warmly-dressed woman out for walk in São Paulo, where the temperature suddenly dropped 10°C on a mid-summer day.

21st century business

The commitment of over 160 countries to reduce their greenhouse gas emissions, ratified in the Kyoto Protocol, created a new and promising business: the carbon credits market. Signed in 1997, the Protocol established Clean Development Mechanisms (CDM), which offer incentives for the implementation of projects in developing nations that lead to a reduction in greenhouse gases.

After being registered as a CDM, projects may issue certificates which can be sold to companies in developed nations. The potential for the world carbon market in 2007 was calculated at 30 billion euros – with 20% of this total in Brazil. By February 1, according to the Ministry of Science and Technology, there were 1,597 projects in various stages of the approval cycle within CDM criteria and 88 fully registered with the Ministry's Executive Council. In this aspect Brazil is second only to India, which has 146 such projects. These projects include replacing diesel oil in generators with biomass or biodiesel, and capturing methane gas from sanitary landfills, among others.

Since 2005 we have paid close attention to this particular element of the new way of doing business, which has attracted key players. In 2005, for example, we brokered the US\$7 million sale of 2.82 million tonnes of carbon credits by Brazilian company Essencis to Japanese group Electric Power Development. Essencis, controlled by Franco-Belgian group Suez and by Brazil's Camargo Corrêa group, owns a sanitary landfill where methane emissions were controlled to generate carbon credits.

The sale of these credits is just one of the services offered in this market, which is still in its early stages. Prospective registrants also receive technical advice to assess the possibility of a CDM solution, which involves meeting with consultants, medium and long-term financing for implementation of projects, assistance with choosing the best way to market credits and determine exchange rates.

"We are structured to address different segments, including small and medium-sized companies", explains Antonio Lombardi, a carbon market manager.



adapted for the disabled and computers for teachers.

Risk becomes opportunity

Our pioneering stance in promoting socio-environmental and corporate governance related operations caught the interest of the International Finance Corporation (IFC), the World Bank's private sector finance arm, which has already put US\$125 million in ABN AMRO REAL's sustainable business portfolio. We were also the first bank permitted to perform independent analyses of socio-environmental projects.

This support allowed us to invest in an innovative project from TSL Environmental Engineering: the use of thermal plasma technology in recycling long-life packaging. Previously, only the paper used in manufacturing the packaging was recycled and, later, reused. The remainder (aluminium and plastic) was disposed of in conventional garbage. The development of the

technology had the participation of three other companies: Tetra Pak, Alcoa and Klabin, who were directly involved in manufacturing the packaging material.

In the new process, the paper is removed from the packaging, and the remainder goes through a reactor that separates the plastic and metal components, allowing their reuse. In addition to the financial advantages for the companies, there are clear benefits for the environment, as few materials used means less waste is discarded. The Bank also arranged the funding for a US\$5.6 million project involving a reactor that will be sent to a plant in Spain.

Partnerships are important in this process. An agreement with the São Paulo State Industries Centre (Ciesp) provides small and medium-sized companies in São Paulo with a specific product to help them purchase equipment for the

Paper Consumption

	White (tonnes)		Recycled (tonnes)	
	2005	2006	2005	2006
Office use (rolls, A4, A5 and letter) and in ATM envelopes **	321	532	1.485	1.883
Promotional purposes*	136	140	945	1.000
Forms/continuous feed (internal use)*	575	314	656	804
Cheque books*	520	86	24	344
Total	1.551	1.072	3.109	4.031

* Numbers obtained from our paper suppliers.

** Increased numbers due to entry of new office paper control models.

Water Consumption

	Total consumption (m ³)		Average consumption per employee (m ³)	
	2005	2006	2005	2006
Administrative buildings	171.646	167.492	19	18
Branches, PABs and PAEs *	561.230#	481.234	34	27
Total	732.876	648.726		

* Consumption in m³ was estimated based on the amount distributed to each unit and on the average cost per m³ in the water bills of branches in various regions.

Not confirmed by BDO Trevisan

The task was daunting: the building holds
4.500 people,
 generates an average of
26 tonnes of garbage
 uses **6.100 m³ of water** and burn
1.635.999 kWh of electricity.

With the environmental management system,
 we began establishing targets to reduce our
 consumption of water and electricity, and the
 amount of waste generated.

Electricity Consumption	Total consumption (kWh)		Average consumption per employee (kWh)	
	2005	2006	2005	2006
Administrative buildings*	39.025.729	39.920.816	4.406	4.311
Branches, PABs and PAEs**	110.580.560	102.648.000	6.630	5.769
Total	149.606.289	142.568.816		

* There was no improvement in electricity use in the administrative buildings, due to an increase in the capacity of our head office Data Processing Centre and to measurement problems at the Brigadeiro building by the electricity provider in 2005.

** Consumption in kWh was estimated based on the amount distributed to each unit and on the average cost per kWh for the region where the unit is located.

Generation of waste*	2005	2006
Total garbage produced at administrative buildings (tonnes)	774	1.246
Recyclable waste as a % of total waste produced at administrative buildings	53,2%	37,7%

* The process to calculate organic waste at our head office was altered, resulting in a higher total and a lower recycled percentage.
 Note: Sales of recyclable waste generated approximately R\$51,000 in 2005 and R\$42,000 in 2006.



rational use of raw materials, and reduce the use of toxic materials and generation of waste products.

The P+L Direct Consumer Credit (CDC) is the first credit facility geared for the United Nations Environment Programme International Declaration on Cleaner Production (UNEP/IDCP). In addition to São Paulo, a partnership with the Rio de Janeiro State Federation of Industries uses our socio-environmental products to encourage the adoption of these practices by affiliated companies. A similar agreement was created with the Minas Gerais State Federation of Industries, which led to the development of the State Waste Product Exchange.

But helping to reduce emissions of other companies is not enough. We must do our share. At our Avenida Paulista headquarters in São Paulo we implemented an environmental management system which resulted in us becoming ISO 14001 certified in November 2006, thanks to our

procedures to control environmental impacts and continual improvements to optimise the use of natural resources. The task was daunting: the building holds 4,500 people, generates an average of 26 tonnes of garbage, uses 6,100 m³ of water and burns 1,635,999 kWh of electricity. With the environmental management system, we began establishing targets to reduce our consumption of water and electricity, and the amount of waste generated. Batteries are recycled and their oxides are reused as pigments for ceramics. Burnt out light bulbs are decontaminated and then recycled. Cooking and generator lubrication oils become grease. Contaminated waste (solvents, paints and contaminated materials) is incinerated.

Car Fleet

	2005	2006
Cars running on gasoline*	1.373	532
Cars running on ethanol	-	-
Cars running on diesel	34	12
Twin fuel engine cars*	121	973
Percentage of cars adapted to run on natural gas	18%	18%

* The Aymoré fleet was switched to Flex vehicles.

Carbon dioxide emissions (per tonne of CO₂)

	2005	2006
Air Travel (1)	8.342	8.399
Generators (2)	20	31
Vehicle Fleet (cars, helicopters) (2)	6.908	6.989
Electricity (3)*	47.965	35.637
Organic Waste (2)	762	1.629
Total	63.997	52.685

* Source for the calculation to convert air travel into metric tons of CO₂/km:

(1) Source for the calculation to convert air travel into metric tons of CO₂/km: "Hot Climate, Cool Commerce Report: A Service Sector Guide to Greenhouse Gas Management" (WRI, 2006).

(2) Source to calculate greenhouse gas emissions: "Pre-publication Draft 2006 IPCC Guidelines for National Greenhouse Gas Inventories" (Chapters: 2 and 3 – Tables 2.4, 3.1 and 3.2.2).

(3) Source to calculate greenhouse gas emissions: WREC – IX "Potential Impacts of the Kyoto Accord for Renewable Energy Sources in the Brazilian Power Sector, 2006 – Esparta and Moreira (2006)". Emissions of CH₄ and N₂O for electricity generation in the Brazilian distribution network are negligible in relation to CO₂ emissions.

energy for

Pisco Del Gaiso



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sustentabilidade

relatório de sustentabilidade

energy for
transformation

transformation

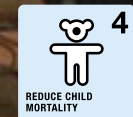
Millennium Goal



ERADICATE EXTREME
POVERTY AND HUNGER



ACHIEVE UNIVERSAL
PRIMARY EDUCATION



REDUCE CHILD
MORTALITY



COMBAT HIV/AIDS,
MALARIA AND OTHER
DISEASES



ENSURE ENVIRONMENTAL
SUSTAINABILITY



DEVELOP A GLOBAL
PARTNERSHIP FOR
DEVELOPMENT

Aldo Vicente Costa, next to his daughter Tainara: with electricity came the opportunity for extra income by selling frozen treats

We need to find new ways of bringing electricity to increasingly more distant communities, like those of Marajó Island, without depleting natural resources



Sunset at Vila Pesquero on Marajó Island, decorated for the Santa Luzia Festival

The fishing village of Caju Una sits 18 kilometres from downtown Soure, on Marajó Island (PA). The community has little more than 50 houses, most made of wood and built on stilts. Until recently, many young people would leave the village because it did not have electricity or a road to reach the municipality's urban area. The arrival of electricity in 2002 transformed the local environment. "Many people came back after we got electricity", says fisherman Pedro Gonzaga dos Santos, owner of a small business. "Now we don't need to salt

the fish. We have a huge freezer that holds nearly 80 kilos of fish."

Electricity is delivered to the 20,000 inhabitants of Soure by the Guascor Group, owner of a thermoelectric generation plant with five generators in the city. Rationing used to be common, and the equipment frequently burned out due to voltage fluctuations. "Today, power outages are a lot rarer, and we have the opportunity to make a little extra cash", says Aldo Vicente Costa, resident of Vila do Pesqueiro, whose daughter Tainara helps her mother to make frozen treats.



Going Beyond

Guascor, which specialises in supplying electricity through diesel-fuelled generators, saw its project to take electricity to isolated communities in the states of Acre, Pará and Rondônia threatened. “In 2005, we came to ABN AMRO REAL to try to get

non-renewable power source, Guascor features performance standards that take into account environmental impacts: it operates at fuel consumption levels below the Eletrobrás standards, or about 10% less in terms of pollutant emissions. “In all these years we’ve never been penalised



Pisco Del Gaiso


refinanced for foreign currency debts we had with other banks, which was hampering the project’s financial balance. But the Bank’s team went beyond: they studied a comprehensive financial solution and shared our environmental concerns, and we ended up closing a much bigger deal than what we expected”, says Marcela Bragatto, the company’s Financial Director. After ten years in the local industry, the company now supplies electricity to about 1.8 million people in 71 cities in northern Brazil, where linking to the national power grid is physically impossible. In spite of burning fossil fuels being a

by the inspection agencies”, Marcela adds.

More people, more power, less planet

But in bringing electricity to remote communities we face another dilemma: the planet’s population continues to increase, and electricity consumption is growing as well. How can we keep growing without depleting our natural resources? The solution to the problem lies with investing in alternative and renewable energy sources such as wind power and biodiesel. In the past two years we have financed four wind parks in

Fisherman Pedro Gonzaga dos Santos enjoys two benefits of electricity: the freezer that helped him grow his small business, and watching television



Brazil and the development of 20 small hydroelectric plants, ventures which will be able to meet the needs of over three million people. We have also financed two biodiesel production plants capable of supplying 25% of the domestic market for this fuel. These are the tangible results of an effort that began in 2002, when we started studying and assessing sustainability projects related to the development of Brazil's infrastructure. "Our initial idea was to look for a comfort zone between risk and return for investors, both in the financial area and in addressing the principles of sustainability", says Guilherme Alice, who runs our Project Finance & Advisory for the Energy, Oil, Gas and Infrastructure sector.

InfraBrasil Fund

A Our experience with financing infrastructure projects and conducting efficient socio-environmental risk analyses led to our being selected as manager of the InfraBrasil Fund, an Interamerican Development Bank (IDB) vehicle to fund energy, transportation, telecommunications, water and basic sanitation projects. The Fund's total investment capacity is R\$972 million, and the first project to be approved was Hidrotérmica SA, where we are advising the funding process to build and operate two small hydroelectric plants in the state of Rio Grande do Sul. "We felt it would be easier to structure small projects, attracting more investors and making funds available to entrepreneurs, while creating new investment vehicles", says Geoffrey Cleaver, Executive Superintendent of the InfraBrasil Fund.

Producing energy and social inclusion

Brasil Ecodiesel, one of the companies we support, transforms plant oils into fuel, or biodiesel. Burning biodiesel results in a reduction of up to 78% of carbon monoxide and hydrocarbons when compared to mineral diesel. Growing and processing the raw materials have a high job creation potential. Net annual income for a family based on farming five hectares of castor bean can vary between R\$2,500 and R\$3,500. On this basis Brasil Ecodiesel has already signed 50,000 contracts with family farmers, offering technical support, training and seeds. In another project, the company works with 650 families who receive housing, basic sanitation, electricity and a space on the land set aside for subsistence farming and raising animals. The communities have schools, health care, a commercial centre and other facilities like a dentist's office and internet access. In both cases, agricultural technicians train farmers and offer assistance, and the company guarantees to purchase the entire production.



Electricity for more than 3 million people

In the past two years we have advised and financed electric power projects in Brazil's five regions, which together could supply a country the size of Uruguay.

Guascor Project (AC, PA, RO) (Guascor do Brasil Ltda.) – Refinancing a project that includes thermoelectric generation plants in Acre, Pará and Rondônia, producing electricity from diesel powered generators. The project benefits 1.8 million people in 71 cities, with a total installed capacity of 172 mW. Investment: R\$82 million.

Rio do Fogo Project (RN) (Iberdrola) – Construction and operation of a wind park with 49.3 mW of installed capacity, located in Rio do Fogo (RN). Considered to be the first large-scale wind park to go into commercial operation in Brazil. Investment: R\$210 million.

ESPRA Project (BA) – Construction of three small hydro plants in southern Bahia state, with 41.8 mW of installed capacity. This was Banco do Nordeste's first financing for small hydro plants. Investment: R\$192 million.

Brasil PCH Project (ES, GO, MG, RJ) (Petrobras Distribuidora/EletoRiver/Acesa/BSB Energética) – Construction of 13 small hydro plants, with total installed capacity of 291 mW. This is the largest Proinfra project and the first BNDES portfolio financing. Investment: R\$1.14 billion.

CRIN Project (PR) (Bosch) – Installation of a production line for Common Rail Injector (CRIN) diesel fuel injectors for heavy vehicles, at the Bosch plant in Curitiba. The new line of injection systems has an installed capacity of 1.1 million parts/year, and more than 60% of the production will be exported. Investment: R\$240 million.

GMR Project (SC) (GMR – Empreendimentos e Participações) – Building of two small hydro plants (37 mW). Investment: R\$88.2 million.

Cerp Project (RS) (Hidrotérmica SA) – Construction and operation of two small hydro plants located in Rio da Prata (RS), with 54 mW of total installed capacity. This is the first operation approved by the InfraBrasil Fund. Investment: R\$227.2 million.

Ventos do Sul Project (RS) (Ventos do Sul) – Construction and operation of three wind parks in Osório (RS), with 150 mW of total installed capacity. The project involves five different banks in addition to ABN AMRO REAL. Considered Brazil's largest wind park and second largest in the Americas by installed capacity. Investment: R\$662 million.

risk management





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sustentabilidade

relatório de sustentabilidade

**risk management =
quality management**

Millennium
Goal



quality management

Verifying that our client companies are respecting the environment and society is part of ABN AMRO REAL's sustainability stance. After analysing an average of 3,000 companies every year since 2004, many of our experts have arrived at the following conclusion: companies with socio-environmental problems likely have financial problems as well. This can mean that their financial reporting is unreliable, their machinery is obsolete or that the owners are not making sufficient reinvestments in the company, among other aspects. The feeling, which is keenly felt in many areas of the Bank, is that everything is a question of management. A good manager of socio-environmental factors, in many cases, is also a good financial, production and marketing manager.

An example of how the Organisation is spreading this culture is seen in the merger of the credit risk and socio-environmental risk departments, which now share the view that those companies with socio-environmental problems also tend to have financial difficulties. As Retail credit analyst Ermide Polli puts it "To accurately assess the overall risks, we really need to know our customers' business, their products and the supplier chain in the sector where they operate".

Before financing or investing in a project, we look at the prospective social and environmental impacts of our decision, through socio-environmental and ethical risk management using analyses, questionnaires and continual monitoring. This process allows everyone to win: the Bank, customers, employees, society and the environment. This lesson, that there is a connection between financial management and socio-environmental management, is hardly kept secret. In fact ABN AMRO tells it

directly to its competitors in Brazil and abroad. "Socio-environmental risk is not a black box", explains Christopher Wells, who runs this department in Latin America. "If all banks would make assessments like we do, it would make our work even easier", he says.

Equator Principles

An example of this proactive attitude occurred when the Equator Principles were modified. An April 2006 memo from our head office in Holland about the discussions between the main European and US banks led us to stage workshops with the four Brazilian banks which are signatories to the Principles (Banco do Brasil, Bradesco, Itaú and Unibanco), as well as NGOs and major corporations. These meetings were held under the auspices of the Brazilian Business Council for Sustainable Development (CEBDS), and were designed to determine how the banks could contribute to the implementation of the Equator Principles 2. The result was a need to enable the financial market to adopt socio-environmental risk policies that went beyond this commitment.

The Equator Principles, of which ABN AMRO was a co-author of the first version, are a set of guidelines that signatory financial institutions use when financing projects in excess of US\$10 million, such as hydroelectric plants, gas pipelines and large-scale land development. The Principles were established in 2003 by the International Finance Corporation (IFC), the World Bank's private sector finance arm, ABN AMRO and three other international banks.



Socio-environmental risk analysis

	2005	2006
Total number of analysis reports	3,698	3,177
Analysis reports - clients approved	3,561	3,021
Analysis reports - clients approved with some reservations	124	154
Analysis reports - clients denied	13	2

Clients Denied Commercial clients

Companies denied due to our socio-environmental policy

2005

13

2006

3

Equator Principles

Project financing which complies with the Equator Principles

2005

13

2006

4

The Equator Principles:

a set of guidelines that financial institutions use when financing projects such as hydroelectric plants, gas pipelines and major industrial developments. In 2005 the guidelines were applied to projects in excess of US\$50 million. In June 2006 this limit was reduced to S\$10 million.



Luis Veiga / Getty images

Growing soy creates jobs
and lets countries share
the benefits...

Soy: the challenge of reaching a consensus

Soy has a dual role in our society: it is both hero and villain. It is one of the best sources of protein for human beings, creating income, employment and development for many countries, including Brazil, and is already being used as a fuel. However, large-scale plantations the growth of agricultural land are responsible for high social and ecological costs such as deforestation, water pollution, soil erosion, displacement of small farmers and conflicts with indigenous peoples' lands.

As a result, growers, processors, supermarket chains, other groups linked to the soy value chain and NGOs joined forces to begin a process of dialogue about the problems of large-scale soy growing. Two forums were held in 2005 and 2006, the results of which led to the creation of a global organisation to seek ways for responsible soy production. In November 2006 the Roundtable on Responsible Soy (RTRS) came into being, which will be headquartered in São Paulo. We only took part in the second event, in 2006, and, while aware of the complexity of the issue, we decided to participate in the RTRS, as we finance the chain in Brazil and

villain



Araclem Alcántara/Sambaphoto

other countries. Our representative, Christopher Wells, who runs our socio-environmental risk department for Latin America, was elected interim chairman of the organisation. “We are involved in this market and we want to help our clients in the soy chain to integrate sustainability into their practices”, says Mr. Wells. The Roundtable on Responsible Soy is a multi-stakeholder group that seeks a consensus on what constitutes the responsible growing and processing of soy. Its main project is putting together a document over the next two years that defines, by consensus, what is responsible soy, including the challenges of being economically viable, socially equitable and environmentally sustainable. The document will establish principles, criteria and means of assessment. As of March 2007 the RTRS had 24 members.

...but is also responsible
for deforestation

Throughout Latin America

Over the past two years, the message of sustainability in credit has been extended to the other countries in Latin America where ABN AMRO is active. Uruguay and Paraguay have completely adopted our environmental risk analysis procedures. The other countries are at various stages, but all of them follow the Organisation's global socio-environmental policies. One example of the support it lends to its Latin American colleagues was the tool developed by socio-environmental analyst Cristiane Ronza. Known as Polaroid, it offers an overall view

of the main sectors that can represent risk to the local and global image of each country, as well as financial risk and the opportunities of financing solutions. Applied to the operation in Uruguay, it delivered a positive result to the implementation of our socio-environmental risk policy, in addition to broadening the view of sustainability opportunities in that country.

Through the United Nations Environment Programme (UNEP), whose UNEP-FI division works specifically for the financial sector, we helped spread our message to banks throughout the Latin America region.

Christopher Wells, who runs our Socio-environmental Risk department in Latin America, and Retail credit analyst Ermide Polli: different sectors of the Bank agree that companies with socio-environmental problems likely have financial problems as well.





Christopher Wells is the President of the Regional Group for Latin America, which has held informational events for banks in Argentina, Colombia, El Salvador, Mexico and Peru, even though ABN AMRO is not active in some of these countries.

For more information about our socio-environmental risk analysis procedures, please visit www.bancoreal.com.br.

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Equator Principles

Brazil and Latin America

Projects analysed, by category

Brazil

Category	Analysed		Approved		Conditional Approval		Refused	
	2005	2006	2005	2006	2005	2006	2005	2006
A	0	1	0	0	0	0	0	1
B	8	3	0	0	8	3	0	0
C	3	0	0	0	3	0	0	0
Total	11	4						

Latin America

Category	Analysed		Approved		Conditional Approval		Refused	
	2005	2006	2005	2006	2005	2006	2005	2006
A	2	0	0	0	0	0	2	0
B	2	1	1	0	1	1	0	0
C	0	0	0	0	0	0	0	0
Total	4	1						

Projects analysed, by sector

Brazil

Category	Analysed		Approved		Conditional Approval		Refused	
	2005	2006	2005	2006	2005	2006	2005	2006
Oil and Gas	2	1	0	0	2	1	0	0
Mining and Metals	0	1	0	0	0	0	0	1
Energy	7	2	0	0	7	2	0	0
Infrastructure	2	0	0	0	2	0	0	0
Total	11	4	0	0	11	3	0	1

Latin America

Category	Analysed		Approved		Conditional Approval		Refused	
	2005	2006	2005	2006	2005	2006	2005	2006
Oil and Gas	0	0	0	0	0	0	0	0
Mining and Metals	1	0	0	0	0	0	1	0
Energy	2	1	1	0	0	1	1	0
Infrastructure	1	0	0	0	1	0	0	0
Total	4	1	1	0	1	1	2	0



Projects analysed, by transaction type and total value

Brazil

Category	Analysed	
	2005	2006
Project Finance	9	2
Corporate Finance	1	0
Other	1	2
> 1 billion	0	1
> 500 - < 1 billion	1	0
> 250 - < 500 million	3	1
> 50 - < 250 million	7	1
< 50 million	0	1

América Latina

Categoría	Analizados	
	2005	2006
Project Finance	2	1
Corporate Finance	1	0
Other	1	0
> 1 billion	0	0
> 500 - < 1 billion	0	0
> 250 - < 500 million	1	1
> 50 - < 250 million	3	0
< 50 million	0	0

... where they study
and have five
balanced meals ...

Erivalda, her children
and husband, at home
in the city of Teotônio
Vilela (AL). Everyday
she takes her kids to ...



From Mondays to Fridays, Erivalda da Silva walks about one hour from her home to the to the co-op where she makes costume jewellery and embroidery, the 21-year old artist passes Carlos Manoel, 4. There, in a facility holding up to 800 children, both kids receive

How do you reach millions?

To combat inequalities, social projects need to be
universalised, and serve as a basis for public policy



...while their mother makes costume jewellery and embroidery for the Community Association of the Mothers the Life Project



Geysen Magno



Pisco Del Gaiso



Pisco Del Gaiso



Pisco Del Gaiso

of Teotônio Vilela, a small city of 40,000 inhabitants, 70 km from Maceió (AL). On the way by the Child Education Centre where she leaves her two kids: Carlos Eduardo, aged 3, and five balanced meals, and are looked after by teachers and medical staff.

The daily life of Erivalda and her children was quite different just two years ago. “Back then, I didn’t work, and we ate bean sauce and manioc flour twice a day”, she recalls. Everything changed when the city’s Council for Child and Adolescent Rights submitted a project to be part of the Real Friend Programme.

Public management

Despite our investment in the region, these improvements would not have been possible without the involvement of the community of Teotônio Vilela. The mothers, for example, recognised the opportunity and formed, also in partnership with Real Friend, the

Community Association of the Mothers of the Life Project. The civic government invested in modern facilities suitable to operate a daycare centre. The next step is the approval by the City Council of a municipal law to transform the Life Project into public policy, which means the City will start running the daycare, using public funds. “This way it becomes official no administration will be able to interrupt the project, which has changed the lives of people here”, says Giselda Lins, a project coordinator.

To be recognised by one of the three levels of government is the current ambition of private social investment. After all, a single social project has a limited reach when compared to a

Millennium Goal



government initiative. By becoming a law the plan is enshrined by the civic, state or federal government, allowing it to be universalised, serving a greater number of people and continuing on uninterrupted despite changes in government.

Take part in the Real Friend Programme

Most of Brazil's children and adolescents live in socially vulnerable conditions, exposed to risks and privations that hinder their development. With this in mind, in 2002 we began the Real Friend Programme. Our goal is to support and strengthen the system for children and adolescents in areas critical to social indicators. Based on Law 8.069, from 1990, the programme helps direct a portion of the income tax paid by the ABN AMRO REAL group, our employees, clients and suppliers, to the Funds for Child and Adolescent Rights. Companies can allocate up to 1% of their income tax payments, while individuals can allocate up to 6%.

It's easy to take part and direct funds to Real Friend. Clients and staff members can do it with fewer than ten clicks on our website. Funds raised are sent to the Councils for Child and Adolescent Rights of the municipalities selected to manage the monies. The projects are carried out by NGOs and the local civic governments, and include child education and primary school-related activities, plus training courses and workshops.

Our employees take part in different stages of the programme. Each year, about 150 staff members from different regions are trained to evaluate, visit, select and closely monitor the projects we support. Another fundamental aspect of the programme is the training workshops for professionals and leaders of the groups that carry out the projects we support and the agencies involved with child and adolescent issues in each municipality.

Before thinking about having their actions recognised by the Legislative and Executive branches, companies need to communicate with all their participants at their specific levels, in addition to conducting an accurate assessment of the prevailing conditions. The challenge is to combine the capacity of everyone involved in a social project. The companies contribute through their human and financial resources; NGOs help with their local knowledge and their cause-specific skills; while governments bring their ability to regulate and capacity to mobilise. When this occurs, the possibilities of the project becoming sustainable and coming into law are even greater.

Additionally, it is a construct that leads to results, as the three sectors involved have complementary responsibilities. But the first step for a social project to reach a good result is to be completely in line with existing public policies. The Real Friend programme, for example, is based on an incentive which is still poorly known or used by most Brazilians: a law that allows any individual or company to allocate a portion of their income tax to the Funds for Child and Adolescent Rights (see box at left). In February 2007, Councils from 37 cities were our partners. On the basis of the social results generated by the projects, it is possible to support them for a maximum of three years and after that goal is that each Council can carry on alone.

Living and learning

Although we are clear on our social investment positioning, we constantly evaluate the results of our actions in the community and make the necessary alterations to maximise the positive impact generated. An example of this is the Escola Brasil project (EBP), which has taken on a wider scope of activity.



All the work was based on the knowledge gained in its first years of operation and the challenges inherent to Brazilian education.

The EPB is an ABN AMRO REAL volunteer programme, with 1,792 active volunteers working in 151 schools around the country. Its objectives are to contribute for the improvement of public school education and to promoting local development by strengthening its ties with the immediate community. With the combined efforts of the Bank, our employees, business partners, family members and the community at large, the EBP's structure follows a work plan established in conjunction with the volunteers and school team. In addition to the project's original bases of sport, recreation and art and culture, programs focusing on diversity, the environment, business skills and generating income have been added to the project. Another differential is that the schools we support are now seen as partners, sharing responsibility for the success of the actions we undertake together. "Volunteers also take on the role of representatives of the partnerships and mobilise other people to help improve public school education", says Fábio Santiago, an EBP coordinator. Beyond investing in social projects, it's essential to involve people in creating solutions based on participation and shared responsibility, as this generates understanding and promotes sustainable development.

University Solidarity

Another change occurred in one of our oldest programs, the Banco Real University Solidarity Competition, in which universities use their knowledge to help communities develop alternative means of income. Since 2003 the

competition (which evaluates the improvement of management, use of ecological techniques, environmental awareness and commercialisation, among other abilities) has undergone changes, and now promotes better funded medium-term projects that seek to create independent, stronger communities. Until 2005, for example, winners received technical support and funding only once per year. Now such benefits come more frequently.

In Sao Luiz Gonzaga, a city eight hours from Porto Alegre in the state of Rio Grande do Sul, the new support schedule was fundamental for the production and marketing of straw brooms in the rural district of Barro Preto. Coordinated by Rio Grande Do Sul State University, in its first year the project reintroduced sorghum growing in the region, and participating families used their creativity to improvise new machines to sew the brooms. Some of the finished product has already been bought by the local city government. The project's second year of work with the university will be crucial for the new co-operative to establish points-of sale to generate income for the business.

To see the projects we've supported, go to page 128.

Everything is connected





We believe in interdependence,
and that everything and everyone
are connected. By itself, a good
business deal is fine, but it's better
when everyone benefits.



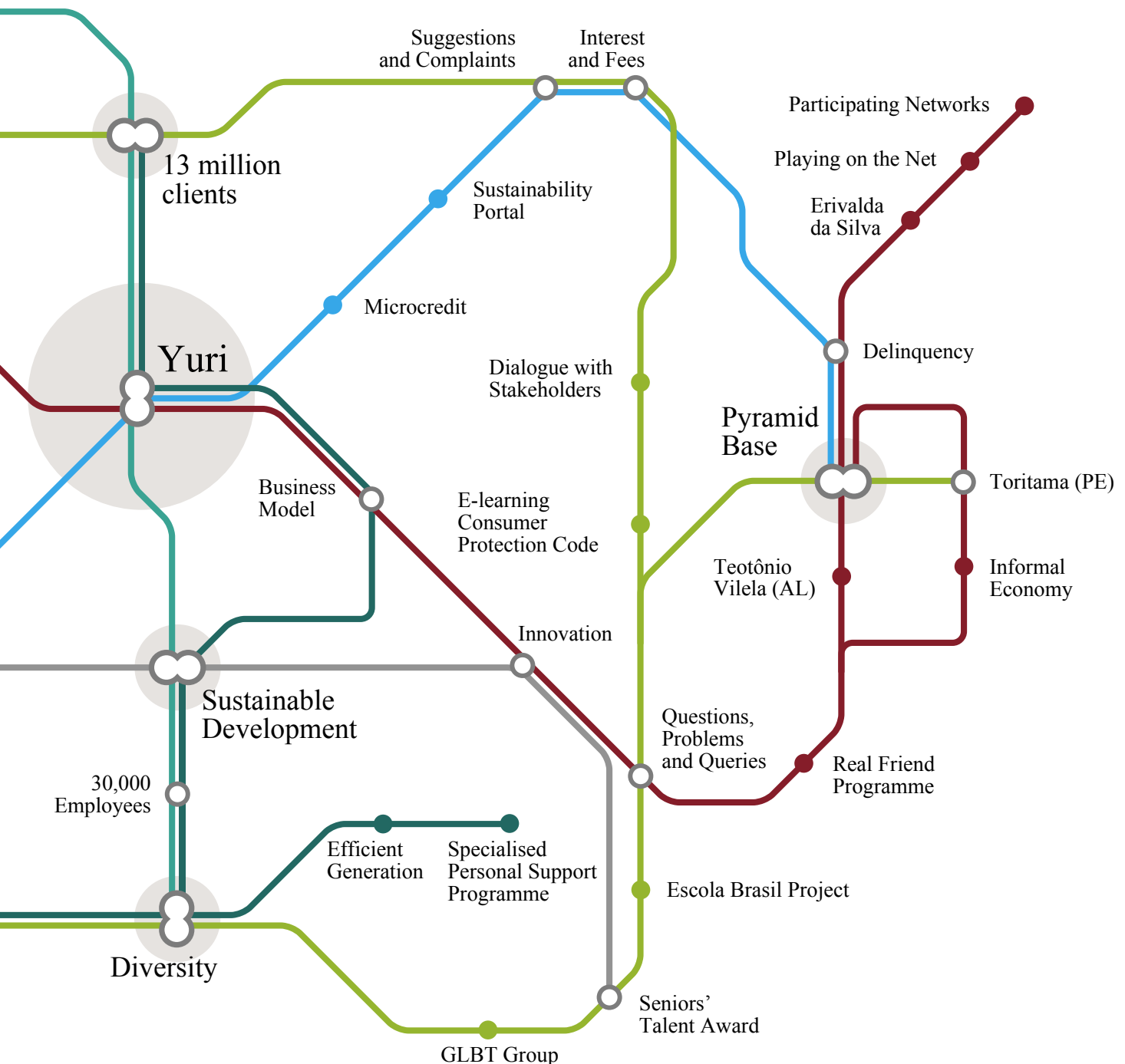
www.bancoreal.com.br

conselho de sustentabilidade

relatório de sustentabilidade

interdependence map

Millennium
Goal







Our results show that sustainability brings benefits to business, despite the lack of indicators that clearly show the relationship between sustainable development and financial performance.

New society, new bank. New results, new indicators.

Is sustainability a good business? This question isn't as simple as it seems. It conceals the challenge that dogs sustainable development researchers and companies that have taken up the cause: how do you prove that sustainability brings real, quantifiable benefits to the business?

In 2006 ABN AMRO REAL became Brazil's third largest bank by total

growth directly related to our sustainability stance or is it the result of our efficiency using a traditional banking model? How do we measure new things using old tools?

To report the economic, social and environmental impacts of our activities, we use an indicators structure based on domestic and international projects including the Global Reporting Initiative (GRI), the Guide to Creating a Social Report by the Ethos Institute of Corporate Social Responsibility, in addition to models from Ibase and the Brazilian Federation of Banks (Febraban). However, these are still not enough. Within a new society, we are creating a new bank. And a new

Millennium
Goal



Organisation needs new indicators.
For example: from 2005 to 2006, 12,188 staff members took part in sustainability training sessions. How do we measure the effectiveness of these actions and their impact on our performance?

We're on the right track

Our concern to measure sustainability in businesses has already put us in a unique position. Now we want to establish goals, a process which will occur throughout 2007, and which is being spread company-wide. The idea must be easily understood and communicated to become part of our strategy, and more importantly the indicators

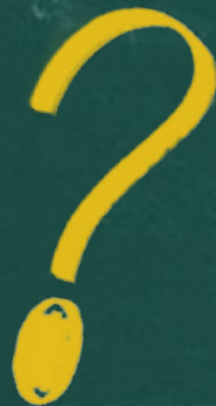
must be seen not just as a snapshot but as a map to the future and a management and improvements tool. The creation of the Sustainability Board (see page 22 for more details) is designed to monitor the performance of the Bank through 30 strategic sustainability indicators. They comprise some of the indicators used in this Report, interlinked with the action plans of our different areas. Even with the lack of indicators that clearly show the relationship between sustainable development and financial performance, there are a number of indications that show we are on the right track, including our rise from fifth to third place in the domestic bank assets ranking. Additionally, we have gained new business and clients through shared values, lowered our cost of supplies, raised long-term capital and gained significant media exposure.

Even though we have no data that show the direct relationship between sustainable development and financial results, many signs demonstrate that we are on the right track. The fact that we jumped from 5th to 3rd position in the national banks' ranking in total assets is one of them. Besides, we have made new deals due to value alignment, we reduced our spending with inputs, we have gained long term

From 2005 to 2006, of
our 30,000 employees,

12.188
took part

in sustainability training
sessions. But how
do we measure the
effectiveness of these
actions and their impact
on our performance?



sustai



Our Socio-environmental Products area, established in 2003, approved 4,280 operations in 2005, totaling US\$34 million.

capital and we have increased our media exposure.

We have also noticed that the customers for these products have low rates of delinquency. In 2005 the area was separated into a socio-environmental products group and a sales support group, which were then amalgamated with other sectors. From 2001, when we introduced our Ethical Fund - Brazil's first socially responsible investment fund -

until December 29, 2006, its accumulated return has been 324.9%, against 292.6% for the São Paulo Stock Exchange Index over the same period. While we study these indicators and continue seeking to improve the measurement of our performance, sustainability has evolved from being a good business idea to becoming a fundamental business premise.

nability



lower risks



Economic Indicators

For more information about our operations and financial results, please visit www.bancoreal.com.br

Note: Figures for ABN AMRO Brazil only.

	2005	2006
Net Income (in R\$ millions)	1,436	2,048

The Value-Added Statement (VAS) is designed to disclose and describe the amount of wealth created by the Organisation and how that wealth has been distributed among the various sectors that contributed, directly or indirectly, to its creation.

The VAS shows Banco Real's direct or indirect economic impact on society and, consequently, its portion of Brazil's Gross Domestic Product – figures that are not always evident in traditional financial reporting.

Value-Added Statement (R\$ millions)	2005	2006
1. Income		
1.1 Gross Income from Financial Operations	6,457	7,247
1.2 Income from Banking Services	2,616	3,133
1.3 Other Operating Income/Expenses*	(3,860)	(3,972)
Total	5,213	6,408
2. Distribution of Value Added		
2.1 Internal – Staff and charges**	2,234	2,442
2.2 Government – Taxes, charges and contributions	1,498	1,872
2.3 Shareholders – Interest on own capital and dividends	803	720
2.4 Reinvestment of Profit	678	1,374
Total	5,213	6,408

Figures for ABN AMRO Brazil only.

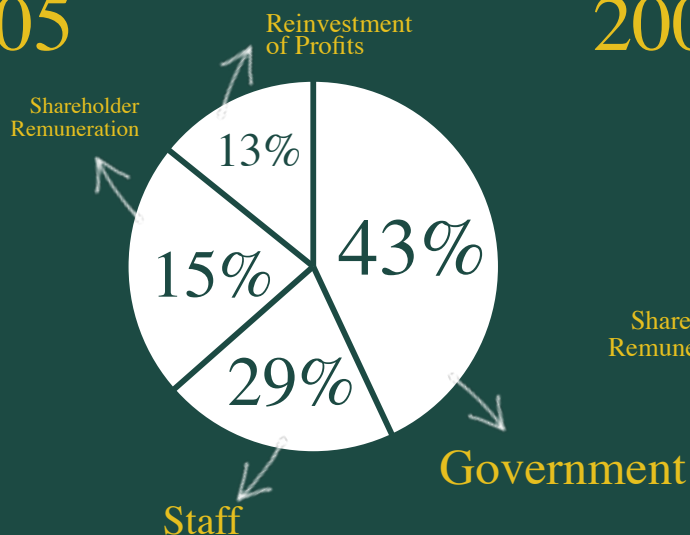
* Other Operating Income/Expenses comprises primarily: Other Operating Income and Expenses, Income from Insurance, Non-Operating Income, Administrative Expenses and Income from related companies and subsidiaries.

** Not including Social Security charges.

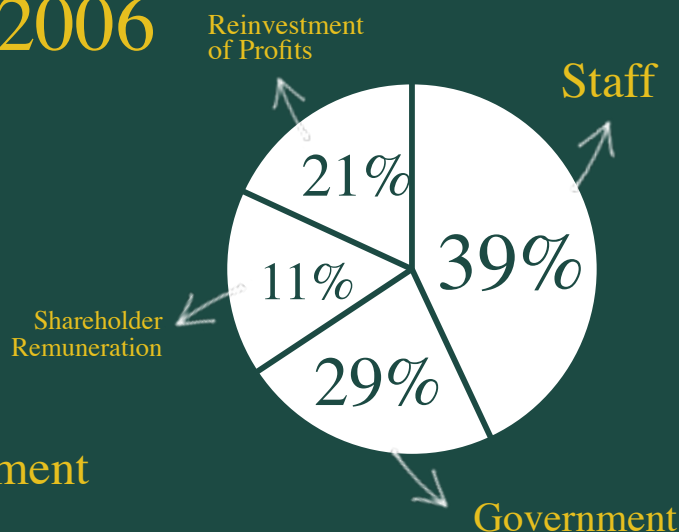
Note: Shareholder Remuneration and Reinvestment of Profits refers to Net Income before equity in the earnings of associated companies.

Distribution of Value Added

2005



2006





Assets Received (in R\$ millions)

	2005	2006
Total in local currency	50,282	69,243
Total Deposits	45,280	54,863
Own Portfolio and Third Parties	2,873	11,066
Mortgage Bonds	364	703
Domestic On-lendings (BNDES + FINAME)	1,659	2,256
Others	106	355
Total in Foreign Currency	4,505	6,043
Total Assets Received	54,787	75,286

Credit Portfolio Mix, by Sector (in R\$ millions)

	2005	2006
Consumer Clients		
Retail	7,743	8,814
Aymoré	9,792	12,894
Commercial Clients		
Large Companies	4,350	4,153
Mid-Sized Companies	6,514	9,339
Small Companies	9,545	12,443
Property Loans	1,595	2,008
Total Credit Portfolio	39,539	49,651

Service Structure (units)

2005

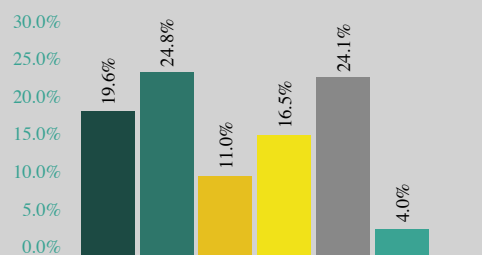
1,933

2006

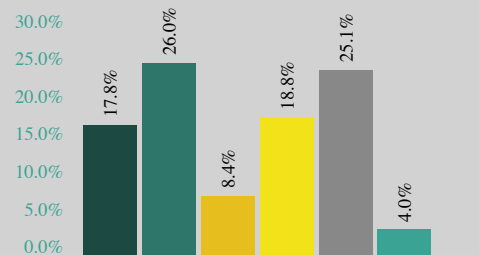
1,946

Branches and Banking Services Outlets

Credit Portfolio (by activity) – 2005



Credit Portfolio (by activity) – 2006



Consumers – Retail
 Large Companies
 Small Companies

Consumers – Aymoré
 Mid-Sized Companies
 Property Loans

Client Indicators

NOTE: Numbers include consumer and commercial client account holders (including savings), insurance policy holders, and clients with at least one credit card or other products registered in the Bank's system. Does not include number of accounts.

* In 2005, due to a processing problem in our system, the value for December was calculated as the average between November 2005 and January 2006.

Client Base (in millions)

2005

12,1

2006

13,1

Total client base* (est.)

Client Satisfaction Survey

Our Client Satisfaction Survey measures the number of Consumer Clients who are "totally satisfied" (score of 5 on a scale from 1 to 5). For non-clients, our Brand Attraction continues to grow. ABN AMRO REAL is currently the second most preferred brand among Brazilian consumers seeking to open a new account. Our increasingly strong positioning in the market is bolstered by our operating activities, particularly with regard to Sustainability.

Client Satisfaction	jun/05	nov/05	jun/06	nov/06
Satisfied	75%	80%	78%	74%
Totally Satisfied	41%	41%	41%	37%

* These values represent the total complaints, requests and queries received by Banco Real and Sudameris. For Aymoré Financiamentos, only those numbers of the Ouvidoria Ombudsman are used.

Complaints, Requests and Queries

	2005	2006
Number of complaints, requests and queries	122,630	199,245

During the period covered by this Report, the client base and number of transactions rose, as shown in the growth of microcredit loans (35%), socio-environmental financings (179%) and SRI Funds (79%). However, this growth also carried an increased number of complaints and a drop in customer satisfaction levels. This is being addressed through centralisation and specialisation actions in operational services, thanks to the creation of the Shared Services Platform (SSP). This has removed some operational tasks from our managers, giving them more time to focus on their clients. They are also taking part in training sessions such as ARTE (described elsewhere in this Report). Finally, we believe the increased number of complaints was partly due to the expansion of our contact channels.

Transparency in service fees and charges

Information on customer service fees comes in two forms:

- via the fees table, posted in the branches 30 days prior to changes taking effect, as required by law; and
- via letter or direct mailing, when there is an increase in the monthly account service package fee, the payment date for which is set by the client.

As this amount is substantial when compared to other stand-alone services, our practice is to communicate with our clients via direct marketing. We coincide our mailings to provide as much advance notice as possible prior to new monthly rates taking effect, although there is no law requiring Banco Real to do so.



Suggestions and Complaints, by Client

In February 2006 we created the Ongoing Improvements sector, which is responsible for involving the areas related to the most common complaints described in the Suggestions and Complaints (S&R) Managerial Reports, and to find the most appropriate solutions for these cases. Throughout 2006 we mapped out the most serious complaints and improvement groups to handle them:

1-Self-Service Channel Unavailable

Actions implemented: creation of a “Command Centre” to monitor our self-service facilities; hiring a vehicle specifically to restock cash supplies at our self-service facilities; increased amount of cash supplied to VIP service points; training of supply teams; initiating preventive maintenance process.

2-Poor Service through Disque Real (transactions conducted by phone)

Actions implemented: resizing of service groups and increased number of staff members.

3-Relationship Problems (commitments not kept, problems with supplying information and poor service attitude)

Action implemented: ARTE training.

4-Problems with Receiving Card and/or Password (credit and/or debit card)

Actions implemented: issuing of emergency cards (credit cards only) in cases of extreme urgency; gradual expansion of re-delivery of cards at the branches (implemented on October 6, 2006 for 172 Banco Real and 14 Sudameris branches); improving Disque Real for updating addresses; bulletin sent to the branch network which underlines the importance of updating addresses.

5-Problems with Opening and Closing Current Accounts

Actions implemented: revision of naming of accounts in the 65 category (pre-opening); creation of electronic form for closing accounts at the branches; creation and revision of Manuals for Closing Accounts; permission to close accounts when the balance is R\$15 or less.

6-Service Problems when Requesting Documents (copies of cheques, contracts and cheque books, among others)

Action implemented: publication of the Manual for Requesting Copies of Cheques Cashed/Returned.

Post-Service Survey (Suggestions & Complaints)

In September 2006 the Suggestions and Complaints area (S&C) began assessing our post-service quality by interviewing a sample of clients who recently had a complaint or query resolved. The goal was to pinpoint any service “non-conformities”, and to develop actions to correct future problems. The survey collected responses from 300 customers each month.

Based on the preliminary findings, there were some cases the S&C considered as “closed” (after receiving information from another area that measures have already been taken) where the client said the problem was yet resolved. As a result, the procedure for resolving some occurrences has been modified so that cases can only be closed after confirmation from the clients themselves.

The survey also found that clients were unsatisfied with the length of time taken to resolve their problems, which arose from assessing the number of complaints resolved within the stated time frame.

* Includes claims for Services Rendered, Decisions Against, Payments made in error, Performance Agreements, Complaints, Damages, Reimbursements, Restitution, General and Compensation.

Civil Suits for Compensation	2005	2006
Claims filed for compensation by clients / non-employees*	12,062	11,460

* Represents total credit approved and not the position of the credit portfolio at year-end. Values from 2005 were not independently audited. In 2006, we created a socio-environmental financing control process which allows us to verify the data.

Socio-environmental Loans* (in R\$ thousands)	2005	2006
Commercial Clients	67,262#	202,157
Consumer Clients	12,185#	14,889

* Refers to the Gas Kit (natural gas for vehicles). Values from 2005 were not independently audited. In 2006, we created a socio-environmental financing control process which allows us to verify the data.

Financings that contributed to a reduction in greenhouse gases*	2005	2006
Number of loans approved/made	3,803#	3,943
Total value of loans (in R\$ thousands)	9,960#	10,573

Socio-environmental Risk Analysis	2005	2006
Total number of analysis reports (est.)	3,698	3,177
Analysis reports – clients approved	3,561	3,021
Analysis reports – clients approved with some reservations	124	154
Analysis reports – clients denied	13	2

Equator principles

Project financing which complies with the Equator Principles

The Equator Principles are a voluntary commitment, adopted by their signatory banks, to assess the social and environmental risks involved in financing projects in excess of US\$10 million.



Environmental Audits and Site Visits	2005	2006
To evaluate the socio-environmental risk of client companies	NA	9

Visits to inspect for sustainability at production facilities. Excludes office meetings to discuss other aspects of sustainability. On-site visits occur when there is some doubt about, or discrepancy in, the information supplied by the company, the media or the market.

Clients denied – Commercial Clients	2005	2006
Client companies denied credit for socio-environmental reasons	13	3

Not confirmed by BDO Trevisan
NA = Not Available



Asset Management

	2005	2006
Total value of equities portfolio (in R\$ thousands)	1,308,301	2,149,991
Total value of SRI* Fund portfolio (in R\$ thousands)	94,325	168,474
SRI Fund portfolio as a % of total equities portfolio	7.2%	7.8%

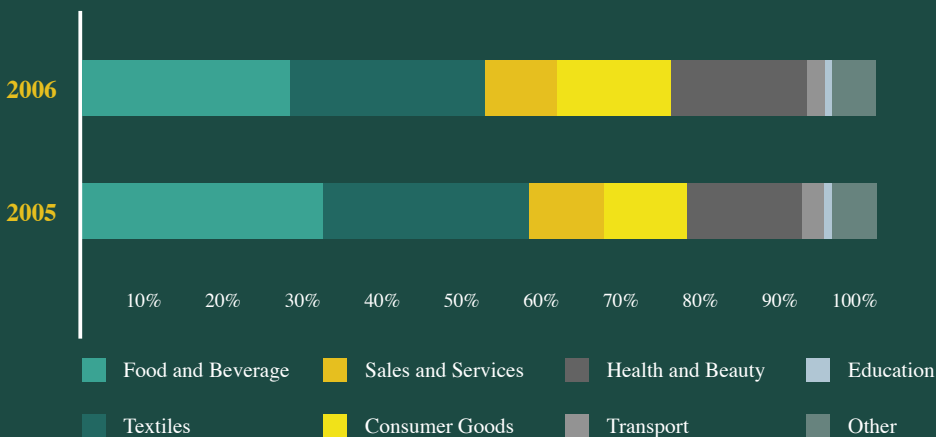
*SRI: Socially Responsible Investments

Profile of RealMicrocrédito Clients (by rate category)

	Loans		Portfolio Size (in R\$)	
	2005	2006	2005	2006
Credit supplied at treasury rates	7,259	3,119	11,438,837	6,475,011
Credit supplied at incentive rates	962	8,382	715,683	9,889,186
Total	8,221	11,501	12,154,520	16,364,196

In March 2006 ABN AMRO REAL became a registered Guided Productive Microcredit Agent through the Ministry of Labour, (under Central Bank of Brazil Resolution 3310*). This has allowed us to increase our number of operations, using funds from compulsory deposits for the purposes defined in the resolution, resulting in substantial growth of credit supplied at incentive rates.

*Substituted in November 2006 by Resolution 3422.



Profile of RealMicrocrédito Clients (by type of activity)

	Loans		Portfolio Size (in R\$)	
	2005	2006	2005	2006
Food and Beverage (1)	2,501	2,857	3,681,148	4,295,296
Textiles (2)	1,903	2,671	3,147,660	3,989,261
Sales and Services (3)	653	870	1,136,992	1,496,018
Consumer Goods (4)	898	1,661	1,266,768	2,343,141
Health and Beauty (5)	1,728	2,711	1,768,287	2,800,715
Transport (6)	200	239	332,594	380,341
Education (7)	63	89	138,068	151,883
Other (8)	275	403	683,003	907,540
Total	8,221	11,501	12,154,520	16,364,196

(1) Bars, grocery stores, fruit and vegetable stores, snack bars, confectioneries, butchers, fish shops, etc.

(2) Clothing and shoe manufacturing and shops, second-hand clothes shops, shoe repairs, tailoring, textiles, etc.

(3) Car repair garages, metalworkers, painting, carpenters, sawmills, documentation agents, graphic arts, video rental shops, etc.

(4) Sale of miscellany, bazaars, handicrafts, stationary shops, etc.

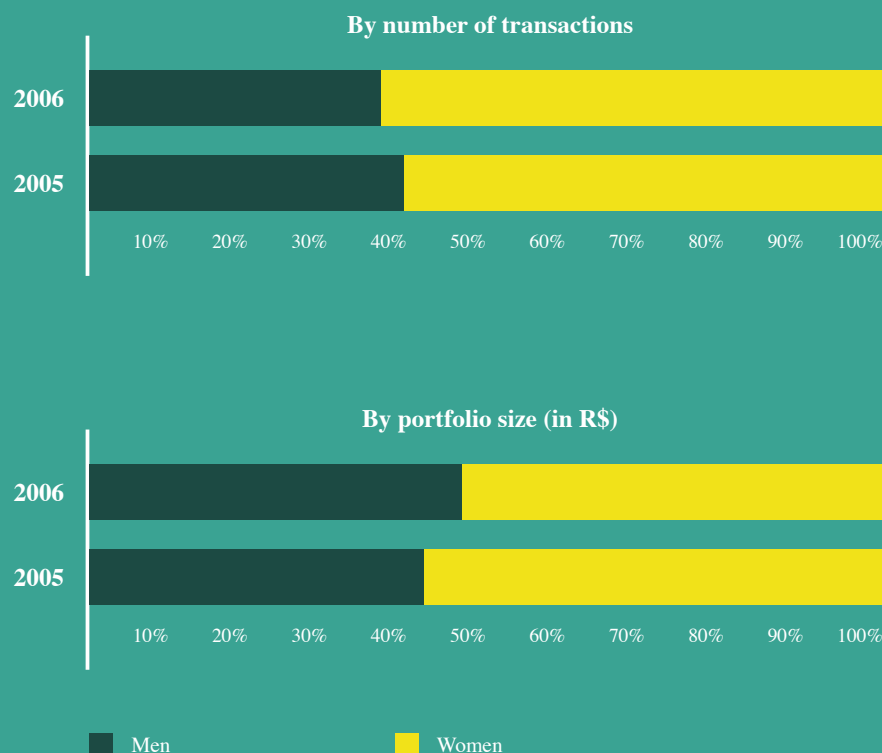
(5) Beauty salons, barbers, cosmetics retail, manicure and pedicure, etc.

(6) Cargo and freight transport, school transport, motorcycle courier services, etc.

(7) Schools, colleges, daycare facilities, bookstores, etc.

(8) Other non-classified businesses: real estate, pet shops, florists, packaging, photo developing, etc

Microcredit Client Profile (by gender)



Access for the Disabled	Units with access for the disabled		As a % of the total number of units	
	2005	2006	2005	2006
Branches	1,007	1,084	91.1%	99.4%
Administrative Buildings	19	13	100.0%	100.0%
Aymoré Outlets	NA	33	NA	53.2%
Total	1,026	1,130		

Note: PABs (Banking Services Outlets), ATMs (Automatic Telling Machines) and PAPs (Collection and Payment Outlets) not included, as their host infrastructure (shopping malls, client companies, public areas, etc.) is not normally controlled by the Bank. In 2005, there was no process in place to collect information about the accessibility of Aymoré outlets. In 2006 we began compiling this figure. Our goal for 2007 is to have 100% of the outlets offering access to the disabled.



Staff Indicators

Engagement Survey

Since 2005 we have been measuring the engagement level of our staff members. In 2006 we maintained the results of 2005, whereby 98% of our employees were proud to work for the Organisation, while we also managed to engage 91% of our staff. Other results included: 95% of our staff members agree that we focus on the client, while 99% see us as being environmentally responsible. This shows that people believe in our commitment to sustainability, an initiative that has been recognised outside of the Bank as well, thanks to the many awards we've won.

The degree to which our employees took part in the survey, which is voluntary and confidential, rose 3% from 2005, climbing to 85%, which demonstrates the credibility of the survey as an important communication channel between the Organisation and its employees.

The survey also brought about opportunities for us to undertake improvements in various areas. With more engaged employees, we can provide exemplary financial services to our clients, generate sustainable results and seek to satisfy those people and organisations which work with us to contribute to a better society.

Staff Profile

Staff members, by Group company

	2005	2006
Banco ABN AMRO REAL	21,254	24,237
Real Seguros	513	527
Banco Sudameris	4,534	4,184
Bandepe	815	0
Others*	1,019	1,110
Total Employees	28,135	30,058

* Other companies include:
ABN AMRO Asset Management
DTVM S.A., Credicenter
Empreendimentos e Promoções
Ltda., Instituto Escola Brasil,
Real Microcredito Assesoria
Financeira S.A., WebMotors S.A.,
ABN AMRO Real Corretora de
Câmbio e Valores Mobiliários
S.A. and Fundação Sudameris.

Staff members, by region

	2005	2006
North	532	598
Northeast	2,770	2,981
Mid-West	1,130	1,243
Southeast	21,490	22,834
South	2,213	2,402
Total Employees	28,135	30,058

Staff Profile	as a % of total staff		% in Operational positions		% in Operational positions	
	2005	2006	2005	2006	2005	2006
Staff Profile	2.12%	1.85%	1.67%	1.44%	2.62%	2.38%
Women, Asian	44.95%	45.28%	50.81%	49.98%	43.12%	44.61%
Women, Caucasian	4.60%	5.33%	6.23%	7.28%	3.35%	3.49%
Women, Mixed-race	0.58%	0.77%	0.90%	1.17%	0.21%	0.29%
Women, African-Brazilian	0.07%	0.06%	0.08%	0.07%	0.04%	0.03%
Women, Indigenous	1.50%	1.29%	0.80%	0.67%	1.70%	1.54%
Men, Asian	40.05%	38.72%	32.20%	31.24%	43.70%	42.21%
Men, Caucasian	5.12%	5.55%	5.86%	6.47%	4.75%	4.96%
Men, African-Brazilian	0.98%	1.12%	1.41%	1.62%	0.48%	0.49%
Men Indigenous	0.04%	0.04%	0.05%	0.06%	0.03%	0.01%
Total	28,135	30,058	15,933	17,578	7,663	7,942

Staff Profile *	% in Specialist positions **		% in Managerial positions **		% in Senior Executive positions **	
	2005	2006	2005	2006	2005	2006
Women, Asian	3.10%	2.68%	1.18%	1.42%	0.00%	0.00%
Women, Caucasian	27.87%	28.87%	27.66%	26.78%	13.93%	13.49%
Women, Mixed-race	1.03%	1.13%	0.47%	0.24%	0.00%	0.00%
Women, African-Brazilian	0.10%	0.05%	0.00%	0.00%	0.00%	0.00%
Women, Indigenous	0.08%	0.08%	0.00%	0.00%	0.00%	0.00%
Men, Asian	3.91%	3.46%	1.42%	1.90%	1.64%	1.59%
Men, Caucasian	60.14%	60.20%	66.90%	67.54%	84.43%	84.92%
Men, Mixed-race	3.36%	3.18%	2.36%	2.13%	0.00%	0.00%
Men, African-Brazilian	0.38%	0.33%	0.00%	0.00%	0.00%	0.00%
Men Indigenous	0.05%	0.03%	0.00%	0.00%	0.00%	0.00%
Total	3,994	3,990	423	422	122	126

*Data obtained from employee registry contained on the HR system, based on classification supplied by employees when hired.

** % of total number of positions in each area.

Hired locally

In our selection processes we tend to hire from within, which allows our employees to apply for vacancies in the Organisation. This is a benefit recognised by our staff, and one in which they actively participate. When a manager has a job vacancy, it is analysed in conjunction with HR, which announces the vacancy on the intranet. Candidates must have been with the Organisation for at least one year and have been at least six months in the same job. We also undertake outside recruitment, in which the Organisation goes to the market to seek out qualified professionals for specific positions.

Distribution, by age group (as a % of total employees)	2005	2006
aged 14 - 19	0.6%	0.7%
aged 20 - 29	40.9%	41.9%
aged 30 - 39	34.9%	34.8%
aged 40 - 44	10.5%	9.8%
aged 45 - 49	8.4%	7.9%
+ 50	4.7%	5.0%

Distribution, by years in the Organisation (as a % of total employees)	2005	2006
up to 5 years	49.1%	53.2%
6 - 10 years	18.6%	18.1%
11 - 20	22.6%	19.0%
over 20 years	9.6%	9.7%

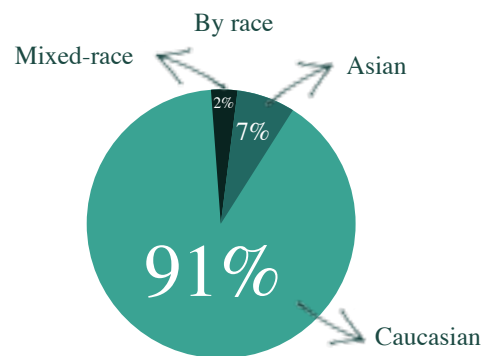
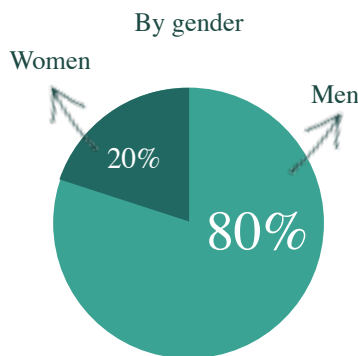
Distribution, by Job Level	Total employees		as a % of total employees	
	2005	2006	2005	2006
Operational	15,933	17,578	57%	58%
Administrative	7,663	7,942	27%	26%
Specialist	3,994	3,990	14%	13%
Managerial	423	422	2%	1%
Senior Executive	122	126	0%	0%
Total	28,135	30,058	100%	100%



Diversity

Disabled Employees	2005	2006
Employees with stated disability	168	838
Number of employees with a disability	536	1.320
as a % of total employees	1.91%	4.39%

Diversity on our Committees 2006*



* Includes the Committees of each Executive Directorate and Vice Presidency, the Executive Committee and the Sustainability Committee.

Programmes/Initiatives for people with Disabilities

Professionals with disabilities receive our full support to advance themselves within the Organisation. Our working environments are wholly inclusive (architecturally, through an accessibility committee that oversees renovations in our facilities, and through actions for this segment, such as the disabled employees' group). For customers, we offer products such as CDC Mobility. At our branches we donate Virtual Vision software for visually impaired clients and non-clients. Our Efficient Generation Programme, which focuses on disabled university students, lasts for one year, and participants may be hired after six months.

We have expanded our Diversity related actions, seen in the increased number of disabled employees hired, the setting of higher targets for women in managerial positions and the inclusion of African-Brazilians through our trainee/ internship programmes.

Sexual harassment policy

Our Harassment Prevention Policy is designed to eradicate all types of harassment to ensure that our Corporate Values of Integrity, Professionalism, Teamwork and Respect apply to all groups with whom the Organisation interacts. ABN AMRO is committed to provide a working environment which is free of discrimination and harassment, and we expect every employee to do their part.

Certain behaviour is deemed unsuitable to a healthy workplace in the corporate world. The moral and/or sexual harassment of a colleague or subordinate is considered unacceptable. Through this policy, the Organisation underlines its zero tolerance for any such behaviour under any circumstance among employees at all levels, as well as interns (temporary or full-time), suppliers, outsourced workers or even customers.

Remuneration and Benefits

Wage Comparisons	2005	2006
Value of lowest salary (in R\$) paid by the Bank (including 13th monthly payment, Profit sharing and Bonus)	951.83	1,020.77
Value of Minimum Monthly Salary required by law (including 13th monthly payment)	300.00	350.00
Ratio between lowest bank salary and required minimum salary	3.2	2.9

1. Meal vouchers, restaurants, etc.
 2. Reimbursement of fitness centre expenses and leisure and recreational activities.
 3. Scholarship for university study.
 4. Maintenance of daycare centres and daycare allowance. Monthly payment to employees with children aged up to six years and 11 months.
 5. In case of public calamity, or medical/hospital treatment not covered by employee's health plan, plus orthopaedic equipment, etc.
 6. Social assistance programme, staff events, help with costs, transfers, etc.
 7. Coverage offered to employees and their dependents up to management level.
 8. Participation in the Bank's financial results.
 9. Contributions paid into Bank's own fund or into private pension funds.
 10. Medical care, health plans/sickness benefit. Coverage offered to all employees and their dependents (optional for parents and single children over the age of 24).
 11. Life insurance and accident coverage paid by the Bank.
 12. Transport vouchers, bus, etc. Provided to all employees that spend over 4% of their monthly salary on public transport.

Benefits	Total expenses (in R\$ thousands)		Number of recipients	
	2005	2006	2005	2006
Meals (1)	166,701	184,564	31,112	33,994
Recreation Activities (2)	3,009	3,662	ND	ND
University scholarships (3)	5,102	15,624	2,680	4,283
Daycare Centres (4)	10,000	10,716	4,762	5,611
Misc. Assistance (5)	1,171	1,377	2,520	2,638
Other benefits (6)	30,856	32,950	ND	ND
Dental Care (7)	4,451	4,427	31,107	33,208
Profit Sharing and Bonus (8)	294,934	364,137	30,206	31,052
Pension Plan (9)	60,198	75,596	28,153	30,078
Health (10)	73,943	83,062	39,722	39,721
Life Insurance (11)	4,400	4,528	22,309	23,068
Transport (12)	13,698	15,624	10,449	13,190
Total	668,463	796,267		

ND = Not Available

Retirement preparation (in R\$ thousands)

Total expenses for Life and Career in Retirement Plan

2006

216,9

2005 - ND

Professional Retraining and Placement (in R\$ thousands)

Total expenses for Professional Retraining and Placement*

2005

1,074

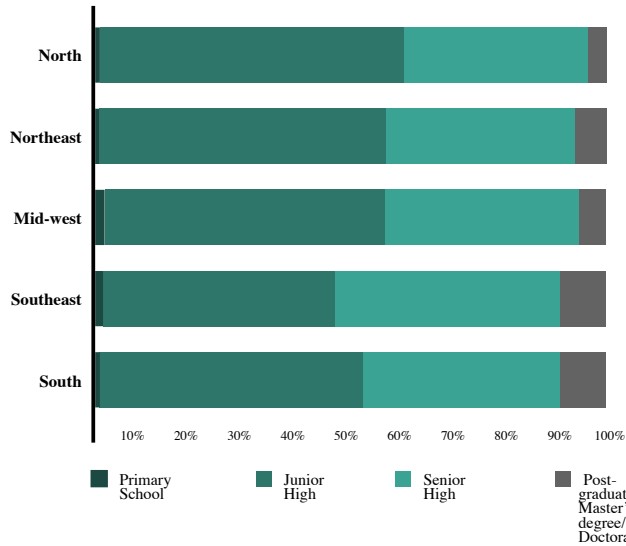
2006

918

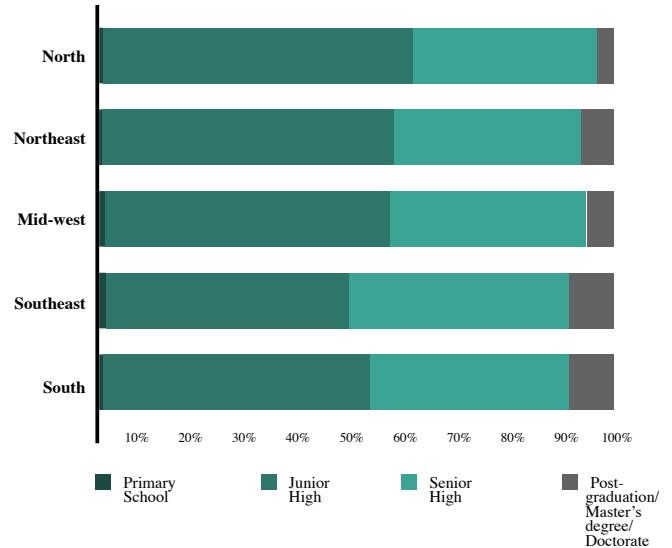
* Book value of training ex-employees and other specialised consulting expenses to relocate staff in the market.



2005 Distribution of employees, by education level



2006 Distribution of employees, by education level



Education and Professional

Distribution of employees, by education level

	2005			
	Primary	Junior	Senior	Post
North	0.6%	59.8%	36.1%	3.6%
Northeast	0.5%	56.4%	36.9%	6.2%
Mid-west	1.2%	55.2%	38.3%	5.3%
South east	1.0%	45.6%	44.4%	9.0%
South	0.6%	51.7%	38.7%	9.0%

Note: The Post-graduation/Masters/Doctorate section includes students who are currently studying, have suspended their studies or who have completed their courses.

Distribution of employees, by education level

	2006			
	Primary	Junior	Senior	Post
North	0.5%	60.4%	36.0%	3.2%
Northeast	0.4%	57.0%	36.3%	6.3%
Mid-west	0.8%	55.5%	38.5%	5.2%
South east	0.9%	47.3%	43.1%	8.7%
South	0.5%	52.0%	38.8%	8.6%

Note: The Post-graduation/Masters/Doctorate section includes students who are currently studying, have suspended their studies or who have completed their courses.

Employees receiving scholarships

	2005	2006
University degree scholarships	2,680	4,283
Post-graduation scholarships	421	354
Language courses	261	295
Total number of scholarships	3,362	4,932

Registered employee training courses	Hours, on-site training		Hours, remote training		Total hours of training	
	2005	2006	2005	2006	2005	2006
Operational	258,109	357,958	47,591	223,468	305,700	581,426
Administrative	268,248	289,997	16,478	127,207	284,726	417,204
Specialist	145,098	192,397	5,176	44,264	150,274	236,661
Managerial	21,618	16,747	166	2,605	21,784	19,352
Senior Executive	5,865	3,863	59	656	5,924	4,519
Total	698,938	860,962	69,470	398,200	768,408	1,259,162

*The percentage of employees trained by level does not include the margin of error due to rotation. There may be employees trained who are no longer part of the active employee base for December, which is why the total exceed 100%.

‘Training’ means internal courses (developed and given by ABN AMRO REAL), both on-site and remote, and external courses (developed and given by other institutions), including post-graduation and language scholarships.

Registered employee training courses	Total employees trained		% of employees trained*	
	2005	2006	2005	2006
Operational	16,055	20,902	100.8%	118.9%
Administrative	8,754	8,817	114.2%	111.0%
Specialist	4,217	4,479	105.6%	112.3%
Managerial	429	458	101.4%	108.5%
Senior Executive	130	138	106.6%	109.5%
Total	29,585	34,794	-	-

Sustainability Training

	2005	2006
Employees who received sustainability training	3,789	8,399

This increase was due principally to our on-line Chronos training, but also to a number of other on-site training sessions the areas received throughout 2006. Chronos training was announced to support areas such as Human Resources, Legal, VP Finances (Financial Control), Audit and Compliance, and in business areas like Products, Home Loans, Aymoré (consumer finance) and Commercial Retail. This communication action and monthly monitoring at the Executive level helped us to engage staff members to conduct the training sessions.

We would like to point out that, besides sustainability training, other actions were accomplished, which we consider necessary for the citizenship practice of our employees, as well as for the alignment with our values, such as training on Código de Defesa do Consumidor (the Brazilian law for consumer defense) and Compliance.

Note: Numbers are approximate only and are based on data from the HR system and minutes of meetings. For 2005, includes senior executive level staff from Risk, Products, Human Resources, Sustainable Development, Asset Management, Infrastructure and Microcredit. In 2006, also includes personnel from Marketing.

Employees in roles dedicated to the integration of sustainability	2005	2006
Managerial level employees partially or fully dedicated to sustainability	11	14
Total number of employees partially or fully dedicated to sustainability	139	190



Investment in training/educational activities

	2005	2006
Total investment (in R\$ thousands)	38,507	57,065
as a % of net income from financial operations*	0.27%	0.32%

*Net income from financial operations = Gross Earnings from Financial Operations, less Provisions + Income from Financial Services + Other Operating Income less Other Operating Expenses.

Youth movement

Our Teen Apprentice Programme is designed to prepare young people for the job market by providing them with high quality, professional development in banking administration. Consistent with Brazilian Law 10.097/2000, under Decree 5.598 and the Febraban Term of Reference, participants are aged 14 to 24 and come from families whose income does not exceed three times the minimum wage. We conduct the programme in conjunction with NGOs which help us with recruitment and contractual administration of the participants, and the basic training they receive prior to and during the programme. In 2006 we hired 126 young apprentices from various States.

Our Trainee Programme offers medium and long-term training and development for the Organisation's future leaders. We provide structured, intensive professional development for these young people at the beginning of their careers. Some participants may ultimately be hired, but for those who are not, their training ensures them suitable preparation to work with other organisations. The Bank does not have a specific programme for interns, but a high number of them do end up working for us, as internship is an excellent training means. Approximately 75% of our interns are hired and choose to stay with the Organisation. They can only become interns after their second year of post-secondary coursework and must work in the same areas as the courses they are taking.

Health, safety and quality of life

Accidents at Work

	2005	2006
Accidents with leave*	136	130
Accidents without leave	NA	NA
Accidents involving outsourced staff, with leave	NA	NA
Accidents involving outsourced staff, without leave	NA	NA

*Number of employees receiving leave for work-related accidents.

Actions for children of employees

February, 2005 – “Healthy Day”, an event put on by the Healthy Life Programme, gave staff members and their relatives a day of activities with theatre, a soccer workshop, volleyball, basketball and walking. About 85 people took part.

July, 2006 – Implementation of the Musicians Project, in which employees and their children learned to play an instrument or to play one even better. Currently, 53 employees and 15 dependents are taking part.

Health Awareness Campaigns

We conducted a nationwide flu vaccination drive for all employees, including outsourced workers and interns. The turnout rate was 70%. We also made presentations about health education.

In 2004 and 2005 we maintained the Healthy Life Programme's activities such as meditation, Chinese exercises, training for running events and setting up yoga groups. We also held the 1st and 2nd Real Indoor Soccer and Volleyball Tournament, the 1st Real Tennis Open and the 1st Real Mini Soccer Tournament.

Policies for employees with HIV / AIDS and other serious illnesses

We have put together a data bank to monitor the most serious health cases so we can support these employees if they have difficulties during their treatments. We also developed a new programme for chronic illnesses, which will be monitored by a service provider. This programme will be implemented in 2007.

Types of Absenteeism (illness and accidents)

The most frequent causes of absenteeism in 2006 were bone and muscular ailments and connective tissue problems, with 527 cases (59.7% of the total), as well as mental and behavioural disorders (210 cases, 23.8% of the total). There were also a further 145 cases (16.5%) of illness and accident related absenteeism. The actions undertaken for these cases include workplace exercises, physiotherapy, posture education and the implementation of our Specialised Personal Support Programme (SPSP).

Employment profile

* The estimated number of cleaning staff at our branches and banking services outlets was based on a September 2006 survey conducted by the Building Services department. Security personnel were calculated based on contractual documents. The number of outsourced staff in administrative buildings was based on access control systems used in these facilities.

Composition	2005	2006
Full-time employees	28,135	30,058
Outsourced staff (est. *)	6,600	8,359
Interns	1,826	1,872
Teen Apprentices	39	87

Staff hiring and retention	Employees hired		Employees dismissed		Turnover (%)	
	2005	2006	2005	2006	2005	2006
Northern Brazil	88	148	70	83	13.2%	13.9%
Northeast	529	563	296	357	10.7%	12.0%
Mid-west	227	276	171	172	15.1%	13.8%
Southeast	2,923	4,404	2,916	2,945	13.6%	12.9%
South	310	448	286	267	12.9%	11.1%
Total	4,077	5,839	3,739	3,824	13.3%	12.7%

Business restructuring process

In all our business restructuring processes that involve laying off a significant number of people, such as the Symphony and Harvest in Information Technology projects in 2006, the Human Resources sector assists with the transformation by structuring and implementing the change plan. This also includes communication actions (so that all staff are aware of the changes and their impacts), training of managers in Change Management and supporting those people laid off. Negotiations for additional payments and extension of benefits, like the career Guidance and Professional Relocation Programme, are also used to minimise the impacts on the people involved.

In the case of outsourcing non-related work, our principal activity, the Organisation and the suppliers involved established the profile of the people needed to take on these activities. In these cases, the suppliers have the option of hiring staff that will be let go due to an impending restructuring.



Trade Union relations

We have employed every means to strengthen a sustainable relationship with the over 170 banking industry unions currently active in Brazil. This is done through the Union Relations area, within Human Resources, and directly by some of our managers, who are able to improve the dialogue with employee representatives and work with them on individual or group labour conflicts. We hold periodic negotiations with labour representatives to resolve and discuss issues brought by the unions.

On this basis, in 2006 we held the South American financial sector's first international meeting of union representatives from Brazil, Argentina, Paraguay and Uruguay, as well as ABN AMRO REAL directors, to improve the understanding of aspects such as diversity, the financial market and sustainability. Another key initiative was the pilot implementation of the Union Space in our São Paulo headquarters, for weekly meetings between union leaders and ABN AMRO REAL São Paulo staff members.

Attraction of professionals	2005	2006
Students who intern at the company	3,048	3,238
Interns hired during the period	854	945
Participants in the Trainee Programme	21,891	18,246
Trainees hired	38	31

Unionised employees	2005	2006
Unionised employees*	11,549	11,898
Percentage of employees unionised**	41.0%	39.6%
Union leaders and representatives	153	154

* Includes those actively affiliated with a union and not the total number of employees covered under the banking industry's collective bargaining agreement.

** As a % of the total number of employees.

Labour claims

Labour claims brought against the Bank



Note: Includes all lawsuits brought against the company during each period and not the total number of cases.

Labour Complaints

Our Legal department has an area which works solely on Labour and Pension Advice. Its primary goal is to ensure the legal compliance of our Human Resources policies. This area periodically analyses the causes of labour complaints and lawsuits against the Organisation to create preventive and corrective measures consistent with Brazilian law.

There are also very active staff and outside committees which identify and reduce labour risks for the ABN AMRO Group in Brazil. We also conduct courses and presentations on various labour issues for our management. Additionally, since January 2005 we have supported a campaign to reach settlements to terminate ongoing lawsuits as quickly as possible.

Supplier indicators

Active suppliers

2005

1,461

2006

1,391

Number of active suppliers*

* Registered suppliers which received a minimum of one payment during the year, and whose total payments exceeded R\$1,000.

Supplier management policies

Introduced in August 2006, the Supplier Complaint Policy is designed to set guidelines for handling issues and complaints coming from our supplier chain by improving the procedures, policies and resources used in managing contracted products and services, as well as ensuring transparent and ethical relations with this strategic relationship group.

Our Outsourced Services Policy, released in September 2006, established a means to guide the ABN AMRO Group's outsourcing procedures, ensuring that we identify and manage the reputational, strategic, operational and legal risks involved in these procedures.

Suppliers forum

To improve the relationship with our suppliers, we encourage them to adopt sustainability principles and practices in their operations, and we incorporate these ideas into our own management and supplier relations. This is always based on clear dialogue through a variety of channels, allowing us to identify improvement opportunities, problems and specific needs. Since 2001 we have held 14 sessions of our Suppliers Forum. This began with a group of 15 suppliers, which has now grown to over 120 companies. The Third Suppliers Forum Cycle, in September 2005 and May 2006, saw over 100 companies taking part. Of these, 73 conducted a self-assessment, 56 made action plans and together they presented 336 management and corporate social responsibility actions.

The 73 firms that provided a self-assessment employed over 150,000 people in total, who are key prospective targets for sustainability-related initiatives. Through this ongoing effort, we seek to reach the majority of our supplier chain over the next few years.



Payment of suppliers

	2005	2006
Percentage of payments made in accordance with pre-set payment dates	99.78%	99.95%

Mobilisation of suppliers

	2005 / 2006
Suppliers involved in socio-environmental initiatives undertaken by the Bank	92

Labour lawsuits

	2005	2006
Labour claims brought by outsourced companies	655	1,076

Note: Includes all lawsuits brought against the company during each period and not the total number of claims.

Qualified suppliers*

2006

68

*The supplier qualification process is designed to reduce labour, operational, legal and financial risks related to our suppliers, allowing us to establish long-term relationships. This involves a self-assessment questionnaire covering technical operational, administrative/financial, governance, social and environmental aspects. These help us generate a qualified supplier index (QSI), which is a standard measure used in our selection criteria.

Involvement with communal suppliers

We are founders and ongoing supporters of NGO Integrare (Business Integration Centre), along with companies such as IBM, Dupont and Kodak. We sit on its Governing Board (Vice-presidency) and Audit Committee. This organisation seeks to generate business by bringing together large corporations with companies belonging to groups which traditionally have been socially excluded (African-Brazilians, indigenous peoples and the disabled). In 2006 we made R\$1.8 million in purchases from companies linked to Integrare.

Environmental Indicators

Paper consumption rose due to increased business activities and a higher number of clients and employees. However, our use of recycled paper also grew.

Electricity consumption in the branches fell in 2006, although our administrative buildings did not reach their reduction target of 4% due to incorrect measurements by the electricity provider in 2005, and an increase in the capacity of our Data Processing Centre.

We met our target of reducing water use in the administrative buildings by 2%. The drop in carbon dioxide emissions in 2006 was due to lower electricity consumption.

Paper Consumption	White (tonnes)		Recycled (tonnes)	
	2005	2006	2005	2006
Office use (rolls, A4, A5 and letter) and in ATM envelopes**	321	532	1,485	1,883
Promotional purposes*	136	140	945	1,000
Forms/continuous feed (internal use)*	575	314	656	804
Cheque books*	520	86	24	344
Total	1,551	1,072	3,109	4,031

* Numbers obtained from our paper suppliers.

** Increased numbers due to entry of new office paper control models

Electricity Consumption	Total consumption (kWh)		Average consumption per employee (kWh)	
	2005	2006	2005	2006
Administrative buildings	39,025,729	39,920,816	4,406	4,311
Branches, PABs and PAEs*	110,580,560	102,648,000	6,630	5,769
Total	149,606,289	142,568,816		

* There was no improvement in electricity use in the administrative buildings, due to an increase in the capacity of our head office Data Processing Centre and to measurement problems at the Brigadeiro building by the electricity provider in 2005.

** Consumption in kWh was estimated based on the amount distributed to each unit and on the average cost per kWh for the region where the unit is located.

Water Consumption	Total consumption (m³)		Average consumption per employee (m³)	
	2005	2006	2005	2006
Administrative buildings	171,646	167,492	19	18
Branches, PABs and PAEs *	561,230#	505,026	34	28
Total	732,876	672,518		

* Consumption in m³ was estimated based on the amount distributed to each unit and on the average cost per m³ in the water bills of branches in various regions.

Land use (m²)	2005	2006
Administrative buildings*	241,714	166,266
Branches, PABs and PAEs	811,750	829,870
Total	1,053,464	996,136

* The number of administrative buildings was lower in 2006 due to the sale of the Sudameris buildings, the use of a rental building and the conversion of an administrative building into a branch.

Not confirmed by BDO Trevisan



Consumption of materials*

	2005	2006
New toner cartridges	83,199	61,536
Refilled toner cartridges	25,043	29,772
Total	108,242	91,308

* Includes administrative buildings only

Generation of waste

	2005	2006
Total garbage produced at administrative buildings (tonnes)*	774	1,246
Recyclable waste as a % of total waste produced at administrative buildings	53.2%	37.7%

* The process to calculate organic waste at our head office was altered, resulting in a higher total and a lower recycled percentage.

Note: Sales of recyclable waste generated approximately R\$51,000 in 2005 and R\$42,000 in 2006.

Car Fleet

	2005	2006
Cars running on gasoline*	1,373	532
Cars running on ethanol	–	–
Cars running on diesel	34	12
Twin fuel engine cars*	121	973
Percentage of cars adapted to run on natural gas	18%	18%

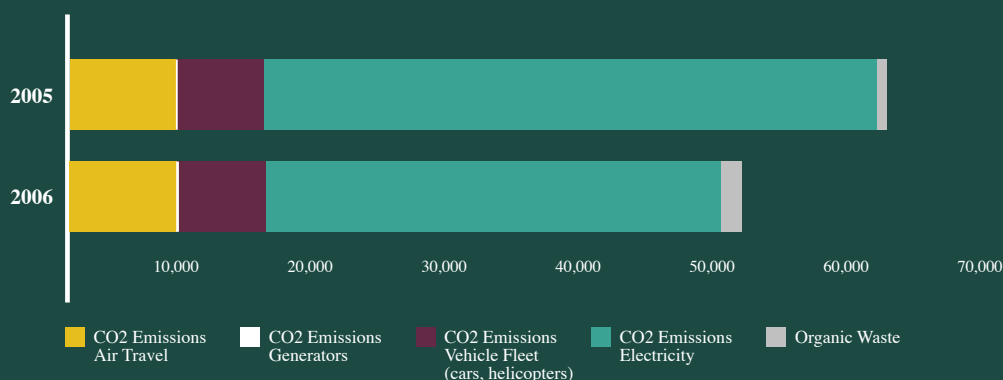
* The Aymoré fleet was switched to Flex vehicles.

Carbon dioxide emissions (per tonne of CO₂)

	2005	2006
Air Travel (1)	8,342	8,399
Generators (2)	20	31
Vehicle Fleet (cars, helicopters) (2)	7,219	6,988
Electricity (3)*	47,965	35,637
Organic Waste (2)	762	1,629
Total	64,308	52,684

* Values for 2005 were estimated, based on the 2006 figures

- (1) Source for the calculation to convert air travel into metric tons of CO₂/km: "Hot Climate, Cool Commerce Report: A Service Sector Guide to Greenhouse Gas Management" (WRI, 2006).
- (2) Source to calculate greenhouse gas emissions: "Pre-publication Draft 2006 IPCC Guidelines for National Greenhouse Gas Inventories" (Chapters: 2 and 3 – Tables 2.4, 3.1 and 3.2.2).
- (3) Source to calculate greenhouse gas emissions: WREC – IX "Potential Impacts of the Kyoto Accord for Renewable Energy Sources in the Brazilian Power Sector, 2006 – Esparta and Moreira (2006)". Emissions of CH₄ and N₂O for electricity generation in the Brazilian distribution network are negligible in relation to CO₂ emissions.



Government and Society Indicators

External Education and Training

Number of outside people trained (suppliers, clients, community and outsourced workers)*

* Training sessions include Sustainability Meetings (talks on sustainability) and sustainability workshops (training for staff, also open to those outside the Bank).

2005

156

2006

584

The increase is above all due to the presence of external guests (clients, suppliers, NGO representatives and others) in the six Sustainability Meetings that we held during this period.

* Includes full-time employees and interns

Training to Combat Money Laundering	2005	2006
% of staff trained to combat money laundering*	NA	80%

Awards

In 2006 we were recognised by society through winning 49 awards, thanks to our positioning and our way of doing business, which have a continual focus on sustainability. These awards included:

- Exame magazine Good Corporate Citizenship Award: we were among Brazil's ten model-companies in terms of corporate sustainability/social responsibility and were winners in two categories ("Values and Transparency", for our Sustainability Management Platform, and "Relationship with Consumers/Clients", for our Microcredit practices);
- ECO 2006 Award, presented by the American Chamber of Commerce (Amcham). This award recognises and distinguishes companies for their corporate citizenship and sustainable development principles and practices. We were winners in three categories for large companies: Company Management for Sustainability; Consumers and Clients (for "Customer Satisfaction being at the heart of our Mission and Operating Model"); and the Environment (thanks to our work with recycled paper);
- We received the World Business Award, organised by the International Chamber of Commerce, UN/UNDP and by the Prince of Wales International Business Leaders Forum, for our efforts at inserting sustainability into our daily operations;
- Financial Times Sustainable Banking Award, as the most sustainable bank in emerging markets;
- Our Sustainability Report, released in 2005, was ranked 12th in the world by SustainAbility, an international consultancy. It also received the highest score in Brazil (61%);
- We won in two categories of the Valor Social Award, presented by Valor Econômico newspaper: Quality in the Workplace (thanks to our efforts at using Compliance as a means to raise staff awareness), and Sustainable Management (for our Sustainability Management Platform); and
- For the 5th consecutive year we were among the 150 Best Companies to Work for in Brazil, as selected by Exame and Você S.A. magazines. We were also among the 100 Best Companies to Work for in Brazil as selected by the Great Place to Work Institute. This list, which began in 2006, appeared in Época magazine.



Participation in setting public policies

2005

- Participation in the Paulista Cleaner Production Desk, a work group associated with the Brazilian Cleaner Production Desk, which are involved with the Ministry of the Environment, environmental institutes and industry federations, among others.
- Development of the Forestry Savings financing line, a project designed to encourage sustainable forestry, involving the Ministry of Agriculture and Farming, the Central Bank of Brazil, Embrapa and BNDES.

2006

- January – Participation in the “Developing Financial Intermediation for Energy Efficiency Projects in Brazil, China and India” workshop in New Delhi, invited by UNEP (United Nations Environment Program).
- May – Participation in the final discussion of the “Developing Financial Intermediation for Energy Efficiency Projects in Brazil, China and India” Report in Paris, invited by UNEP (United Nations Environment Program).
- Participation with BNDES for the development of PROESCO, a financing line for energy efficient projects for ESCOs (Energy Saving Companies).
- Participation of a Banco Real representative as Vice-Chairman of American Chamber of Commerce Environment Committee.
- Partnership with CIESP (São Paulo State Industries Centre) for the programme to encourage Cleaner Production – an industrial programme designed by UNEP.
- Partnership with FIRJAN (Rio de Janeiro State Federation of Industries) for the programme to encourage Cleaner Production – an industrial programme designed by UNEP.
- Partnership with FIEMG (Minas Gerais State Federation of Industries) for introducing the Waste Collection programme.
- Influence in the change of Microcredit requirements for the Ministry of Finance.

Policy for Accepting Clients

To uphold the strength of our reputation and the application of our values, we have a Policy for Accepting Clients and Prevention of Money Laundering. This includes identifying clients, assessing the risks, transaction filtering, monitoring of transactions and reports of suspicious or unusual activities. This ensures that we pay total attention to our clients and their businesses, in keeping with our values.

Fines	2005	2006
Monetary value of principal fines and penalties levied for non compliance with laws and regulations (in R\$)*	187,756.69	324,776.43
Monetary value of principal fines and penalties levied regarding the provision and use of products and services (in R\$)**	624,544.39	268,556.41

* The main reasons for the increased fines are: a) new municipal laws regarding the structure of bank branches (bathrooms for customers, waiting time in line ups, drinking fountains, etc.); and b) a new Federal law about Accessibility, which has resulted in increased inspection procedures.

** The difference between 2005 and 2006 is due to a lawsuit with the Federal Public Ministry, in which the banks signed a Term of Conduct Change to not send unsolicited credit cards, which carries a R\$500,000 fine. In the Bank's case this involves one isolated occurrence, and we are taking the necessary legal steps to resolve this issue.

Volunteer Work by Employees

In 2005 the management of the Escola Brasil Project (PEB) was transferred to the Sustainable Development Directorate. It was previously run by Aymoré Financiamentos, which began the project in 1998. The PEB volunteers originally worked to help increase school attendance. As their activities grew, the project was remodelled in 2006, when the volunteer groups began focusing on improving the quality of public school education. At first this was based on three areas: sports, recreation and art-culture. In 2006 it began including the environment, diversity, business skills and generating income. The Bank in the School Programme is another volunteer initiative that helps improve the management of public schools. This project is an alliance between five major financial institutions, including ABN AMRO REAL. In São Paulo 26 employees take part in the programme.

Staff Volunteers

	2005	2006
Total Volunteers	1,594#	1,792

External Social Investment Profile

Total Investment (in R\$ thousands)

	2005	2006
Valuing Diversity	9,758	10,121
Sport	10,425	7,450
Culture - Visual Arts	3,011	5,908
Culture – others	981	4,918
Child and Adolescent Rights	3,672	4,567
Community Relations	6,658	3,124
Education	2,929	2,544
Spreading Ideas	253	910
Generating Income	434	701
Community Development	655	615
Culture and Heritage preservation in the public interest	1,782	302
Urban Development	358	176
Volunteer Work	170	170
The Environment	140	150
Education – others	77	70
Eradication of Illiteracy	66	51
Health	50	40
University Students	132	40
Combating Hunger and Ensuring Food Safety	30	30
Total Investments	41,581	41,887
as a % of Net Income from Financial Operations*	0.43%	0.34%

* Net Income from Financial Operations =
Gross Income from Financial Operations
less Provisions + Income from Financial
Services + Other Operating Income
less Other Operating Expenses.

Not confirmed by BDO Trevisan



Support/Sponsorships

Category	Partners
Combating Hunger and Ensuring Food Safety	Zero Hunger Association
Culture – Visual Arts	Eletrobrás; Ministry of Culture; Petrobras; Tokio Marine; Furnas; Bradesco; Itaú; Camargo Correa; Votorantim
Culture - others	LG; Editora Abril; Eletromidia; TAM; Ministry of Culture; Roberto Marinho Foundation; Telefônica; Ambev; City of São Paulo; Viva o Centro Association (SP); São Paulo Secretary of Green and the Environment
Community Development	Febraban; Centre of Professional Development in Education (CEDEPE); Association of Phonecentres and Business; Care International Brazil
Urban Development	Viva o Centro Association (SP); São Paulo Secretary of Green and the Environment; Paulista Viva Association (SP); City of Recife
Rights of Children and Adolescents	São Paulo State Council of Child and Adolescent Rights; São Paulo Secretary of Social Assistance and Development Social; Abrinq Foundation
Spreading Ideas	UNDP and other companies; Fundação Getúlio Vargas; Group of Institutes, Foundations and Companies; Ethos Institute of Social Responsibility; Akatu Institute for Consumer Awareness; São Paulo Institute Against Violence; Fernand Braudel Institute; UNA Brazil – United Nations and other companies; Uniethos; Endeavour Empreender Institute; Brazilian Sustainable Development Foundation; Brazilian Business Council for Sustainable Development; Comunitas Partnership for Solidarity Development; Athletes for Citizenship; Ashoka Brazil; AIESEC-GLOBAL THEME CONFERENCE 94
Education	Institute of Co-Responsibility for Education; Estudiar Institute; Take Part Brazil Volunteer Institute and other companies
Sustainable Business	Fundação Getúlio Vargas
Sport	Dunas Race; JJS and Webrun
Generating Income	EcoFuturo Institute; Avina Foundation; Suzano Pulp and Paper
The Environment	Cultural Recycling Association; Friends of the Future Association; Brazilian Association of Pension Funds; WWF Brazil
Community Relations	Casa do Saber
Health	GRAACC and other support institutions for children with cancer
University Students	Fundação Getúlio Vargas; State University of São Paulo; CIEE (Centre of Business School Integration) of Rio de Janeiro; Education Foundation
Valuing Diversity	Carpe Diem Association; INTEGRARE – Business Integration Centre
Volunteer Work	Take Part – Brazil Volunteer Institute; Volunteer Partners

Political Contributions

Amount contributed to political campaigns

In the most recent presidential elections, Banco ABN AMRO REAL contributed the same amount to Brazil's two largest political parties, which is disclosed on the Federal Elections Tribunal (TSE) website.

Programmes and projects

Programme or project Category	Year started	2005			2006		
		Bank investment (in R\$)	Tax benefit (in R\$)	Media Spending (in R\$)	Bank investment (in R\$)	Tax benefit (in R\$)	Media Spending (in R\$)
Escola Brasil Project Education	1998	1,782,490.49			1,351,700.74		
Bank in the School Programme Education	2000	106,245.60			142,817.74		
Educate for Racial Equality Award Education	2003	200,000.00			309,000.00		
Playing on the Net Education	2001	510,088.25			491,182.40		
Priceless Values Seminar	2003	130,000.00			130,000.00		
Real Friend Programme Child and Adolescent Rights	2002	713,604.83	1,110,800.00	1,597,567.80	818,881.68	1,637,000.00	1,745,941.00
Share Programme Eradication of illiteracy	2003	65,694.00			51,006.52		



Goals	Beneficiaries	Results		Partners
		2005	2006	
Help improve the education offered by public schools and promote development by strengthening ties with local communities	Children and adolescents in public schools nationwide	1,594 volunteers organised into 163 groups, working in 148 partner schools	1,792 volunteers organised into 163 groups, working in 151 partner schools.	Escola Brasil Institute Public Schools
Help improve the quality of public schooling through actions that enable public schools to monitor and propose improvements to the management of public schooling budgets.	Public schools in the city of São Paulo	200 schools involved, with the participation of 28 trained/active ABN AMRO REAL volunteers; 246 educators from participating schools were trained.	246 schools involved, with the participation of 26 trained/active ABN AMRO REAL volunteers; 472 educators from participating schools were trained.	Banco ABN AMRO REAL, Banco Santander Banespa, Citibank, Banco do Brasil, BankBoston Foundation
Engage, encourage and subsidise educators to include race/ethnicity in their teaching projects to stimulate debate on and contribute to the elimination of racial/ethnic discrimination in the school system and, consequently, in society itself..	Primary and secondary school teachers and educators		The Award had 376 registered teachers, 12 of whom were award winners..	Centre for Labour Relations and Inequality Studies (CEERT)
Be a simplified tool to help in the development of children, encouraging logical, creative reasoning and a participative spirit, sharing knowledge and insights on everyday issues..	Children aged 5 -12	Launch of the Playing on the Net Club, just for children registered through the site; the book Dreams and Spells from the Playing on the Net Book Collection was adopted by the National Textbooks Programme; the site had 5,648,238 page views, 754,148 visits, 86,744 children participation and ended the year with 72,752 registered children, 42,097 of whom signed up in 2005.	The site had 12,532,890 page views, 1,586,771 visits, 172,622 colaborações and ended the year with 150,995 registered children, 78,234 of whom signed up in 2006; the site was totally redesigned to allow access for visually impaired children; Launch of 2 more volumes of the Playing on the Net Book Collection; Adoption of the book Dreams and Spells by the National Textbooks Programme(SP); the site started being used as a teaching assistance tool for the digital inclusion of children (3 partner schools of the Escola Brasil Project)..	Editora Caramelo
Training for public primary and secondary school officials to enable them to develop and promote a culture of peace in teaching, and encourage the ethical practice of universal values. Include lateral issues in the school curriculum and help schools become centres of peace and non-violence in their communities. Promote the culture of dialogue, cooperation and valuing differences	Primary and secondary school teachers and educators. Children and society..	Held seminars in which 1,116 educators were trained. Of these, 100 were involved in Escola Brasil Project (teachers, interns and consultants).	Held seminars in which 1,034 educators were trained.	Palas Athenas Association
Help people allocate part of their income tax payments to Funds for Child and Adolescent Rights, managed by Councils for Child and Adolescent Rights, to support social projects which focus on education. Strengthens the role of the Councils in their work on behalf of Children and Adolescents.	Children and Adolescents from Municipalities with critical CDI (Child Development Index) and SEI (Social Exclusion Index) ratings. Municipal Councils for Child and Adolescent Rights	Children and Adolescents from Municipalities with critical CDI (Child Development Index) and SEI (Social Exclusion Index) ratings. Municipal Councils for Child and Adolescent Rights.	Benefited 10,300 children and adolescents in 37 Real Friend projects in 2006, which received funding of R\$4,859,532.74. A total of 13,762 employees took part in the programme, raising R\$2,070,451.06. Together, the 4,186 clients, suppliers and partners raised R\$1,152,081.68. ABN AMRO Group companies contributed R\$1,637,000.	Municipal Councils for Child and Adolescent Rights, with Institutional support from UNICEF
Promote adult education and contribute to the personal and professional growth of the employees of ABN AMRO REAL's service providers.	Employees of the Bank's service providers.	In 2005 the programme had about 50 registered students.	Primary school training for about 50 students, start of two new classes (Telecurso 2000) and inclusion of students with Downs' Syndrome.	Suppliers to the Bank: Cushman and Wakefield, SEMCO, Ecofield, Sodexho, MCM, OSESP, Carpe Diem

Programme or project Category	Year started	2005			2006		
		Bank investment (in R\$)	Tax benefit (in R\$)	Media Spending (in R\$)	Bank investment (in R\$)	Tax benefit (in R\$)	Media Spending (in R\$)
Banco Real University Solidarity Award Generating Income	1995	433,989.19			581,250.00		
School Corner Generating Income							
Alameda das Flores Urban Development	2003						
Seniors' Talent Contest Valuing Diversity	1999	3,621,464.00		5,882,547.10	4,861,960.00		5,044,551.00
Virtual Vision Valuing Diversity	2004	186,294.43			169,535.29		
Bandepe Cultural Institute Culture – Visual Arts	2000	870,646.52			854,396.49		
Restoration of Rodrigues Alves College Culture – restoration and preservation of historical heritage	2003		1,782,299.00		301,662.00		
Modern Art in Context Exhibition Culture – Visual Arts	2005		840,000.00		553,178.42	1,523,000.00	477,323.00
Christmas Exhibition Community Relations	2000	2.311.770,67	3,741,177.62		1,910,601.38		713,164.55
Volvo Ocean Race Sport	2005	4,935,595.75		1,704,296.00	2,867,428.13		1,504,784.05



Goals	Beneficiaries	Results		Partners
		2005	2006	
Encourage universities to develop social programmes that help bolster the social and economic development of their local communities. Encourage university students to interact and participate more with the social problems that surround them.	Universities. University students. Local communities..	The Award received 132 applications, and ten universities received awards. A total of 60 students, 18 teachers and 500 community people were directly involved.	The Award received Renewal of eight projects for 2007. A total of 60 students, 18 teachers and 500 community people were directly involved	University Solidarity
Promote the socio-economic inclusion of NGOs, co-operatives and associations through the practice of working together. Raise funds for the Escola Brasil Institute..	General public, NGOs, co-operatives, associations and children helped by the Escola Brasil Institute.	An option for fundraising for NGO and suppliers. Spreading the idea and the practice of working together.	An option for fundraising for 26 NGO suppliers. Spreading the idea and the practice of working together..	Escola Brasil Institute and DGT Logística
Chance of a first job for low-income young people, social and cultural promotion and generating income for the Escola Brasil Institute.	Low-income young people, general public, NGOs and children helped by the Escola Brasil Institute.	Creation of the 1st Permanent NGO Fair and initiation of cultural activities.	Expansion and diversification of programming, with the participation of 32 NGOs in 81 social and cultural activities.	Escola Brasil Institute City School Apprentice Association
Value and include the elderly in society, in addition to promoting academic insight on the subject of ageing	Seniors.	21,109 works submitted 17,092 participants	36,159 works submitted 21,109 participants	SESC, SBGG, Ministry of Health and Social Action, and CNBB, among others.
Contribute to the digital and social inclusion of the visually impaired	Visually impaired clients and non-clients, not-for-profit institutions that work with the visually impaired.		935 software programs donated	Micropower
Promote culture and civic responsibility among the residents of Pernambuco, through exhibits, meetings, seminars and training courses	Students, teachers, artists and the general public	119,550 people visited the exhibits at the Institute's headquarters in Recife. Media return of R\$777,811.18. Included eight exhibits, seminars, book launches and a Christmas choir festival.	30,605 people visited the exhibits at the Institute's headquarters in Recife. The facility remained open for 3 months and was then closed for renovations. During this period it held 3 exhibits, seminars, restorations of public heritage and book launches.	Pernambuco State government
Benefit students and society with historical heritage restorations	2,500 students and the general community.	Restore external façade. Employees were involved in the renovations. Teachers and students took part in civic responsibility and education activities such as presentations, history classes and professional training courses. The effort brought a sense of identity to the facility, allowing people to exercise their civic duty through the conscious use of a cultural asset.	Restore building interior. Employees were involved in the renovations. Teachers and students took part in civic responsibility and education activities such as presentations, history classes and professional training courses. The effort brought a sense of identity to the facility, allowing people to exercise their civic duty through the conscious use of a cultural asset.	City of São Paulo, Foundation for the Development of Education, Secretary of State for Culture, São Paulo State government, Ministry of Culture
Provide the community with access to the ABN AMRO REAL Art Collection	General community		65,511 visitors by the end of 2006, for three exhibits displayed (São Paulo, Curitiba and Rio de Janeiro)..	Museum of Modern Art (RJ), Oscar Niemeyer Museum, Ministry of Culture
Relationship with the community through sustainable development issues		273,587 visitors to the exhibit	215,633 visitors saw the exhibit, including 21 public schools and 1,476 accompanied children.	
Global launch of the tag line, creating opportunities to experience the values of the brand: professionalism, teamwork, technology, integrity and respect.	General public and NGOs	8,000 people took part in the clinic activities. A total of 38,000 staff members (ABN AMRO REAL) were involved. 190,000 visited or shared the brand in events we held (RJ and SP Boat Show, Ilhabela Sailing Week, Adventure Sport Fair, Caras Regatta)..	21,000 customers took part in our activities in the pavilion. 42,000 staff members (ABN AMRO Group in Latin America) were involved. 1,250 public school children visited the stand. 170,000 visitors at our pavilion in Rio de Janeiro. €250,000 donated to NGOs and co-operatives.	

Principles used to create this report

Positioning

ABN AMRO REAL's commitment to transparency in disclosing its processes of integrating sustainability into its business operations is expressed in each of the indicators presented in this Report. These indicators demonstrate the Organisation's efforts to combine economic/financial, social and environmental factors, underlining the strategic priorities that guide our business and the expectations of our many relationship groups.



To arrive at the processes and methodologies that made this Report possible, we drew upon what we learned in previous editions of Human and Economic Values, Together, the first of which was released in September 2003, and selected in 2004 in a survey conducted by Standard & Poor's, SustainAbility and UNEP (United Nations Environment Programme) as one of the world's 100 best Social Reports. The second version of the Report, released in May 2005, ranked 12th in this same survey.

Based on our use of the GRI G3 guidelines and GRI financial sector supplement, we consider this Report to be classified as A+. The guidelines are designed to cover the presentation of a variety of information, some of which, such as our sustainability indicators, is disclosed in this Report, while additional material may be found on our website at www.bancoreal.com.br/sustentabilidade.

Scope of the Report

The information and results presented in this Report encompass all ABN AMRO REAL group companies in Brazil (ABN AMRO REAL, Aymoré Financiamentos, Bandepe, Real Seguros and Sudameris), and cover the years 2005 and 2006.

In instances of unavailable or incomplete data we have added an explanatory note to the respective indicators.

For more information on our financial operations and results, please see our Annual Report, available on our website at www.bancoreal.com.br.

Indicators Used

Our previous Reports described how we began incorporating sustainability indicators into the daily management of

our business operations. This Report continues in this direction, with our indicators providing a comparison with the market in general, and the financial sector in particular, in addition to showing our strategies and dialogue with our relationship groups.

The Organisation's goal is to integrate sustainability into all its business activities and relationships. By reporting on these efforts, we seek to consolidate the vision behind this idea: that it is possible to conduct business and generate results for all the groups with whom we interact. Accordingly, we have incorporated monthly monitoring of the indicators into our business management, and implemented action plans to help improve our performance.

The indicators structure used in this Report is based on Brazilian and international efforts to promote the disclosure of the economic, social and environmental impacts of corporate business activities. These include the third generation of Global Reporting Initiative (GRI) guidelines and financial sector supplements; the Ethos Institute for Corporate Social Responsibility Guide for the Production of Social Reports; IBASE, FEBRABAN, Vfu (Verin für Umweltmanagement); and the ABN AMRO BANK N.V. Global Sustainability Report. At our website www.bancoreal.com.br/sustentabilidade, at the Report's webpage, in the link Indicators Section, an Index will help readers identify and locate the indicators used. Based on the GRI guidelines, this Report is classified as A+.

Reporting process

The creation of this edition of the Sustainability Report began with an assessment of the previous version, followed by an event involving several of our relationship groups, who offered comments and suggestions about the publication. One such suggestion was to improve the descriptions of the indicators so the data could be better understood and put into context more clearly.

After conducting this analysis and proposing an indicator structure consistent with the strategies of the Organisation, personnel from our Sustainable Development area conducted wide-ranging discussions with staff members possessing specific knowledge of the subjects covered by the indicators.

At present, we have no sustainability indicators information systems in place comparable to those used to obtain financial information for quarterly reporting. However, the Vice-Presidency of Finance, through the Financial Control department, collected and analysed the preliminary data, helping us improve the process established during the publication of the 2003/2004 Report. We also used company information systems to consolidate the data. In addition to expanding the involvement of our staff in creating the Report and adopting sustainability indicators in our daily operations, this process increased the quality of the data by making it more consistent.

We maintained constant communication with representatives from these various areas to test and validate the data. The same procedure was used to produce the material that makes up the first part of this publication. An early discussion led to a list of contents to clearly show the problems, challenges and advances in the financial market, and specifically at ABN AMRO REAL in implementing sustainable practices in all of its action fronts. From this discussion we incorporated the most valuable elements of the comments we received from our relationship groups.

The presentation of the information employed a journalistic interview format and encompassed the Bank's principal relationship groups. The final draft was then submitted for approval to each department whose material was



used. Despite all the care taken, we recognise that the information contained in this Report is subject to some degree of inaccuracy due to limitations in our data measurement and consolidation or estimates made. Where these limitations might affect the evaluation of our results, we have added an explanatory note to the respective indicator.

To improve the process of creating our Sustainability Reports we also identified potential benefits from involving our relationship groups. If the production of this Report leads to positive results by involving these internal and external groups, we are certain that many other advances can also be attained. This goal is manifested in the projects we will undertake throughout 2007.

At the end of the process, all the data contained herein was submitted for approval by the Executive Directors responsible for the indicators and by the members of the Executive Committee, which consists of ABN AMRO REAL's CEO and the Executive Vice-Presidents of the respective business units.

Auditing firm BDO Trevisan reviewed the reliability of this report, and their audit report appears on page 138. We also included the opinions of interested external parties about our Organisation. These opinions have been used exactly as we received them. We thank these people for their contributions, though we are not responsible for their content.

Disclaimer

This Report is not intended as a solicitation, invitation or other inducement to engage in any investment or related activity, and is solely and exclusively to provide greater transparency to investor, shareholder and customer relations and to give details of ABN AMRO REAL's commitment to sustainable development. All policies, procedures, criteria, instructions, statements, guidelines or similar content appearing in the Report are for ABN AMRO REAL's internal use only, and under no circumstances should they be construed as conferring any rights or responsibility to any third parties, even though third parties are responsible for any information they provide.

ABN AMRO REAL reserves the right to alter, add or remove any policies, procedures, criteria, instructions, statements and guidelines in this Report at any time, and also reserves the right to not provide third parties with details on the content of this Report.

Independent Auditors' Report-Letter on the 2005/2006 Sustainability Report – “A new bank for a new society”

1. We conducted a Special Review Audit (predefined procedures) of the information contained in the 2005/2006 Sustainability Report - “A new bank for a new society”. The preparation of this report is the responsibility of ABN AMRO REAL's management. The objective of our work was to validate the information contained in the 2005/2006 Sustainability Report - “A new bank for a new society”, to check whether it is supported by the internal and external information and communication systems and to ensure that all relevant aspects were appropriately presented.
2. Our work was conducted in order to support the issue of our Report-Letter, which included the following procedures:
 - a. Knowledge of systems and processes used in obtaining and analyzing the information disclosed in the 2005/2006 Sustainability Report - “A new bank for a new society”.
 - b. Planning of the audit work, considering the materiality and volume of information presented in the report, as well as the systems and processes used to obtain the information.
 - c. Meetings and interviews with managers responsible for preparing the information.
 - d. Verification, by sampling, on a test basis of the evidence and records that support the information contained in the following sections: About Us; People at the Center; Sustainability Under Attack; Banks: Agents of Sustainability; We're in a hurry; Why did it take Yuri five years to be born?; Balancing life and work: a challenge for everyone?; Diversity makes the Difference; Sorry for the Inconvenience, We're Working to Better Serve You; Microcredit, macro challenges; Sustainability is the Main Line of Business in my Portfolio; (Lessons Learned)²; Changes in everyone's pocket and lifestyle; Energy to transform; Risk Management = Quality Management; How to Reach Millions; Everything is connected; and New Society, new Bank. New Results, New Indicators.
 - e. Comparison of economic-financial information against the respective records.
 - f. Inquiry and observation tests, on a sample basis, of information of a qualitative nature and of projects in progress, respectively.
 - g. Calculations and recalculations, on a test basis, of formulas, tables, percentages and indicators described in the report.
 - h. Checking of information, quantitative data and nature of activities, through ABN AMRO REAL website searches.
3. Our work was limited to validating the information contained in the 2005/2006



Sustainability Report - “A new bank for a new society”, and does not include an analysis of the sustainability policies and practices adopted by the Institution, as well as validating and assessing the goals and challenges defined by ABN AMRO REAL in this report. Additionally, we did not review ABN AMRO REAL’s internal control system or its operating, accounting and financial systems. Our work did not aim to validate the security environment of these systems, and our main objective was to verify if the information contained in them corresponded to the data presented in the report. The procedures adopted do not represent an audit pursuant to independent auditing standards for financial statements, in which we express an opinion in the auditor report. However, we utilized alternative audit procedures that allowed us to conclude about the information contained in said report, as described in paragraph 5. The items we were not able to validate for whatever reason are identified by a “#” symbol, with the respective legend at the footer of each page. And for those items in which the Institution was unable to furnish the information, we used “N/A” to identify them.

4. The financial and accounting information referring to ABN AMRO REAL and presented in tables and statements for comparison purposes, particularly specific pieces of information included in the Value-Added Statement (DVA), which correspond to financial and accounting data, were examined by other independent auditors.

5. Based on the procedures described previously and pursuant to the limitations described in paragraphs 3 and 4, we conclude that the information contained in the 2005/2006 Sustainability Report - “A new bank for a new society” is adequately presented in all its relevant aspects.

São Paulo, April 20, 2007



Mauro de Almeida Ambrósio
Engagement Partner - Accountant
CRC 1SP199692/O-5
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CRC 2SP013439/O-5

*ABN AMRO BANK is responsible for
the publication of this report
and is intended for its employees,
clients, vendors, partners and
communities where it does business.*

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for it believes that this is important wherever it does business

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