Annual Report 2006
Fortis Finance N.V.

Fortis Finance N.V.
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Contents

Report of the Board of Directors on the 2006 financial year

General

Fortis Finance N.V. operates as the window to the financial markets for Fortis entities only.

The shares of Fortis Finance N.V. are indirectly held by Fortis SA/N.V. and Fortis N.V. via Fortis Utrecht N.V. and Fortis Insurance N.V. The latter is the direct and sole shareholder of Fortis Finance N.V. Fortis SA/N.V. in Belgium and Fortis N.V. in The Netherlands are jointly the holding companies of Fortis. The Fortis shares constitute the twinned shares of Fortis SA/N.V. and Fortis N.V. Fortis SA/N.V. and Fortis N.V. have provided joint and several guarantees for financial transactions of Fortis Finance N.V.

International Financial Reporting Standards

The accounting policies used to prepare this annual report are in line with the International Financial Reporting Standards and consistent with those applied in the annual report for the year 2005.

Results and appropriation of profit

In 2006 Fortis Finance N.V. made a net profit after tax of EUR 62,048,000 (2005: EUR 7,334,000).

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The improvement in result was primarly due to the penalty interest received on early redemption of loans due from Fortis Hypotheek Bank N.V.. The reason for this early repayment was the emergence of a financing need at one Fortis Group Company (Fortis Insurance N.V.) and the availability of excess cash at another Fortis Group Company (Fortis Hypotheek Bank N.V.). From an economic perspective, the early repayment was beneficial to the three companies involved. For Fortis Finance N.V., the reported profit of this early redemption in 2006 will be offset by reported losses in the six years to come. These losses will total to a similar amount as the profit from the penalty interest in 2006.

The Board of Directors proposes to the Genaral meeting of shareholders to pay a dividend of EUR 120,000 per share or EUR 30 million in total and add the remainder to the Retained Earnings.

Prospects

The financial results of Fortis Finance N.V. depend largely on frequency and the total volume of funding provided. Up to 2003 Fortis Finance N.V. provided funding to finance mortgage portfolios of Fortis' Dutch insurance entities, as in the Netherlands mortgages are not only sold via banks, but also sold via insurance intermediaries on a large scale. These mortgage portfolios were transferred to Fortis banking arm in 2003. As a result the funding volumes provided by Fortis Finance N.V. decreased in 2005 to 2006; the company will experience a further structural decline of this specific financing activity going forward.

The results in the coming years will be negatively impacted by the aforementioned early redemption of the loans that were due from Fortis Hypotheek Bank N.V. Total expected loss net of tax in the next 6 years related to this early redemption is EUR 57 million.

Employees

The company has no employees of its own. Its activities are performed by employees of Fortis group companies in 2006.

Utrecht, 15 May 2007

The Board of Directors:
P. Depovere
J.H. Brugman
J. Dessain
A.H.W.M. van der Plas

Jan Brugman
Director Fortis Finance N.V.

Bert van der Plas
Director Fortis Finance

P. Depovere
Chief Reporting Officer

J. DESSAIN
DIRECTOR FORTIS FINANCE

Financial statements

Income statement

For the year ended 31 December		2006	2005
In thousands of euro			
	Note		
Financial income	2	945,812	975,571
Financial expenses	2	(860,761)	(963,648)
Net Financial Margin		**85,051**	**11,923**
Operating expenses	1	(690)	(506)
Rating expenses		(366)	(379)
EMTN program expenses		(327)	(263)
Operating profit before tax		**83,668**	**10,775**
Income tax expense	3	(21,620)	(3,441)
Profit for the period		**62,048**	**7,334**

Balance sheet

(before proposed profit appropriation)

As at 31 December		*2006*	*2005*
In thousands of euro			
	Note		
Assets			
Due from group companies	*6*	6,016,237	7,881,707
Deferred tax assets	*5*		279
Derivatives and other receivables	*7*	605,512	549,377
Cash and cash equivalents	*8*	257,952	1,321,039
Total assets		**6,879,701**	**9,752,402**
Equity			
Issued capital		125	125
Retained earnings		30,164	22,830
Profit for the year		62,048	7,334
Total equity	*9*	**92,337**	**30,289**
Liabilities			
Interest-bearing loans and borrowings	*10*	6.021.205	7,056,334
Interest-bearing subordinated loans	*10*	183,781	914,201
Bank overdrafts	*8*	123,358	1,282,410
Tax payable	*4*	1,549	1,628
Derivatives, deposits and other payables	*11*	438.322	467,540
Deferred tax liabilities	*5*	19,149	
Total liabilities		**6,787,364**	**9,722,113**
Total equity and liabilities		**6,879,701**	**9,752,402**

Statement of changes in net equity

For the year ended 31 December	*2006*	*2005*
In thousands of euro		
Balance beginning of year	30,289	22,955
Profit for the period	62,048	7,334
Balance end of year	**92,337**	**30,289**

Statement of cash flows

For the year ended 31 December	2006	2005
In thousands of euro		
Cash and cash equivalents – Balance at 1 January	1,321,039	3,843,979
Bank Overdrafts – Balance at 1 January	(1,282,410)	(3,289,294)
Total cash and cash equivalents/ bank overdrafts at 1 January	**38,629**	**554,685**
Cash flows from operating activities		
Net profit	62,048	7,334
Net changes in operating assets and liabilities	57,444	(10,702)
Net cash from operating activities	**119,492**	**(3,368)**
Cash flows from Investing activities		
Cash receipt from customers (deposits, long term loans)	**1,671,002**	**3,915,611**
Cash flows from financing activities		
Proceeds from derivatives	85,870	19,069
Repayment of borrowings (subordinated, debt certificates, long term liabilities, straight loans)	(1,765,549)	(4,343,328)
Payment of derivatives	(14,850)	(104,040)
Net cash from financing activities	**(1,694,529)**	**(4,428,299)**
Cash and cash equivalents– Balance at 31 December	257,952	1,321,039
Bank overdrafts – Balance at 31 December	(123,358)	(1,282,410)
Total cash and cash equivalents/ bank overdrafts at 31 December	**134,594**	**38,629**

Notes to the financial statements

Accounting policies

General information

Fortis Finance N.V. is a company domiciled in The Netherlands.
The address is Archimedeslaan 6, 3584 BA Utrecht.

The company is registered with the chamber of Commerce in Utrecht under number 30055940 0000.
Fortis Insurance NV holds all the shares of Fortis Finance N.V..

The main activity of Fortis Finance N.V. is to provide funding to the Fortis holding and operating entities. Funds borrowed in the market are lend-on to Fortis companies. Fortis Finance N.V. has very low exposure to interest and foreign currency risks; the general policy is to close all positions on a deal by deal basis.

Fortis Finance N.V. does not employ any personnel; all activities are performed by employees of other Fortis Entities.

The financial statements were authorised for issue by the Board of Directors on 15 Mei 2007.

a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and its interpretations as adopted by the European Community.

b) Basis of preparation

The financial statements are presented in euro, rounded to the nearest thousand. They are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, and certain interest-bearing loans and borrowings.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Fortis Finance N.V. is the financing vehicle of the Fortis Group and the entity that does the cash management of the Fortis holding entities. In principle all funding transactions are lend-on to other Fortis entities. Fortis Finance N.V. structures the deals in such way that only limited interest rate or foreign currency risks remain on the books of Fortis Finance N.V.. In certain deals derivatives are used to eliminate the interest or foreign currency risk.

Fortis Finance N.V. does not apply hedge accounting. To limit the volatility in income and equity, Fortis Finance N.V. may apply the fair value option, for deals in which derivatives are involved. This results in a situation that the funding, the on-lending and the derivative are fair valued through the income statement.

c) Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to euro at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to euro at foreign exchange rates ruling at the dates the fair value was determined.

d) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the company's contractual rights to the cash flows from the financial assets expire or if the company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the company commits itself to purchase or sell the asset. Financial liabilities are derecognised if the company's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Accounting for finance income and expense is discussed in note f (Financial income and expenses).

Investments at fair value through profit or loss

An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the company manages such investments and makes purchase and sale decisions based on their fair value. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

(ii) Derivative financial instruments

The company holds derivative financial instruments to hedge its foreign currency, credit risk, equity risk and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognised immediately in profit or loss.

e) Impairment

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on a individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in profit or loss.

f) Financial income and expenses

Finance income comprises interest income on funds invested, dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, foreign currency gains, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, dividends on preference shares classified as liabilities, foreign currency losses, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method.

g) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

h) Fair Value Calculations

A number of the company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Derivatives

The fair value of interest rate swaps is the estimated amount that Fortis Finance N.V. would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The estimate is based on the expected cash flows and the swap interest curve applicable at the moment of valuation. The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

Non-derivative financial instruments

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest atthe reporting date.

Notes to the financial statements

1. Operating expenses

In thousands of euro	*2006*	*2005*
Recharges from group companies	100	100
Bank costs	15	6
Audit costs	48	65
Maintenance treasury application	25	32
Backoffice/Frontoffice fees charged by group companies	444	258
Other	58	45
	690	**506**

2. Net financial margin

In thousands of euro	*2006*	*2005*
Interest income loans	389,003	373,730
Interest income derivatives	219,305	224,277
Interest income cash and cash equivalents	33,739	85,647
Interest related income	1,522	2,383
(Un) realised gains on derivatives	192,365	270,568
Foreign exchange gains		12,080
Net gain on re-measurement from borrowings at fair value	109,878	6,730
Other		156
Financial income	**945,812**	**975,571**
Interest expenses loans and borrowings	(293,327)	(329,297)
Interest expenses subordinated loans	(34,065)	(60,145)
Interest expenses derivatives	(197,965)	(203,106)
Interest expenses cash and cash equivalents	(32,770)	(79,840)
Interest related expenses	(1,628)	(1,793)
(Un) realised loss on derivatives	(262,535)	(185,596)
Net loss on re-measurement from loans at fair value	(38,471)	(103,871)
Financial expenses	**(860,761)**	**(963,648)**
Net financial margin	**85,051**	**11,923**

3. Income tax expense

Recognised in the income statement

In thousands of euro	2006	2005
Current tax expense		
Current year tax expense	2,192	3,410
Adjustments for prior years		(25)
	2,192	3,385
Deferred tax expense		
Origination and reversal of temporary differences	22,573	(17)
change in tax rate	(3,145)	73
	19,428	56
Total income tax expense in income statement	**21,620**	**3,441**

Reconciliation of effective tax rate

In thousands of euro	*2006*	*2006*	*2005*	*2005*
Profit before tax		83,668		10,775
Income tax using the domestic corporate tax rate	29,6%	24,765	31.5%	3,393
Effect tax rate change on deferred tax assets and liabilities		(3,145)		73
Under / (over) provided in prior years				(25)
	25,8%	**21,620**	**31.9%**	**3,441**

4. Current tax assets and liabilities

The current tax liability of EUR 1,549 (2005: EUR 1,628) represents the amount of income taxes payable in respect of current and prior periods.

5. Deferred tax assets and liabilities

The Deferred taxes are attributable to the revaluation of assets and liabilities at fair value.
Also for tax purposes the penalty interest received for the early redemption of loans was deferred and resulted in a deferred tax liability. For tax purposes the assets and liabilities, including derivatives are valued at amortised cost. This leads to the follow assets and liabilities.

In thousands of euro		
Deferred tax asset on revaluation of liablilties	38,545	85,140
Deferred tax liability on revaluation of assets	(57,694)	(84,861)
Net tax asset/ liability	**(19,149)**	**279**

6. Due from group companies

In thousands of euro	*2006*	*2005*
Due from group companies at amortised cost	3,964,174	5,639,071
Due from group companies held at fair value	2,052,063	2,242,636
Total	**6,016,237**	**7,881,707**

The amortised cost of the loans held at fair value is EUR 2,030 million at the end of 2006 and EUR 2,190 million end of 2005.

7. Derivatives and other receivables

In thousands of euro	*2006*	*2005*
Accrued interest	275,201	319,173
Other receivables and pre-payments	4,965	13,456
Fair value derivatives	130,878	216,748
Shorttime deposits with group companies	194,468	--
	605,512	**549,377**

8. Cash and cash equivalents/ bank overdrafts

In thousands of euro	*2006*	*2005*
Bank balances	257,952	1,307
Call deposits	--	1,012,000
Current accounts	--	307,732
Cash and cash equivalents	**257,952**	**1,321,039**
Bank overdrafts	**(123,358)**	**(1,282,410)**
Cash and cash equivalents/ bank overdrafts in the statement of cash flows	**134,594**	**38,629**

9. Capital and reserves

The movements in capital and reserves for the years ended 2005 and 2006 are as follows:

In thousands of euro	*Share capital*	*Profit of the year*	*Retained earnings*	*Total*
Balance at 1 January 2005	125	4,307	18,523	22,955
Allocation of profit		(4,307)	4,307	
Total recognised income and expense		7,334		7,334
Balance at 31 December 2005	**125**	**7,334**	**22,830**	**30,289**
Allocation of profit		(7,334)	7,334	0
Total recognised income and expense		62,048		62,048
Balance at 31 December 2006	**125**	**62,048**	**30,164**	**92,337**

At 31 December 2006, the authorised share capital comprised 1000 ordinary shares (2005: 1000), par value of EUR 500. At 31 December 2006, 250 shares were issued and fully paid up. During 2005 and 2006 no new shares were issued nor were own shares bought back by the company

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares are held by Fortis Insurance N.V..

10. Interest-bearing loans and borrowings

The loans and borrowings can be analysed as follows:

In thousands of euro	*2006*	*2005*
Other borrowings due to customers – other	6.006.802	7,024,428
Other borrowings due to customers – group company's	9,403	9,962
Private loans	5,000	21,944
Total loans and borrowings	**6.021.205**	**7,056,334**
Subordinated loans – other	183,781	898,319
Subordinated loans from group company's	0	15,882
Total subordinated loans	**183,781**	**914,201**
Total interest bearing loans and borrowing	**6.204.986**	**7,970,535**

The split of total loans and borrowings by measurment principle is as follows:

Loans and borrowings at fair value	2,116,634	2,381,388
Loans and borrowings at amortised cost	4.090.352	5,589,147
Total loans and borrowings	**6.204.986**	**7,970,535**

The amortised cost of the loans and borrowings at fair value amounted to EUR 2,105 million at 31 December 2006 (31 December 2005: EUR 2,261 million) The average interest paid on the loans and borrowings was 4.77 % in 2006 and 4.91 % in 2005. The maturity schedule of the loans and borrowings can be fond in note 12

11. Derivatives and other payables

In thousands of euro	*2006*	*2005*
Accrued interest	297,263	316,901
Other payables and accrued expenses	6,496	1,496
Fair value derivatives	134,563	149,143
	438.322	**467,540**

12. Risk management

Exposure to credit, interest rate and currency risks arises in the normal course of Fortis Finance N.V. business. Derivative financial instruments are used to economically hedge exposure to fluctuations in foreign exchange rates and interest rates. Risks are contained on a deal by deal basis. Interest rate wise and currency wise the funding, the on lending and related swaps form a closed position.

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. Fortis Finance N.V. does not request collateral in respect of financial assets.

Investments are allowed only in liquid securities and only with counterparties that have a credit rating equal to or better than Fortis Finance N.V.. Transactions involving derivative financial instruments are with counterparties with whom Fortis Finance N.V. has a signed netting agreement as well as sound credit ratings. Given their high credit ratings, management does not expect any counterparty to fail to meet its obligations.

Except for the inter group lending there is at the balance sheet date no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet.

Interest rate risk

In the cause of operations Fortis Finance N.V. is potentially exposed to interest rate risks. The risks are closed on a deal by deal basis. Fortis Finance N.V. uses derivatives to close the interest rate risks.

The following table indicates the earlier of re-pricing or maturity of interest income-earning financial assets and interest-bearing financial liabilities as well as the derivatives for a number of time buckets.

At December 31, 2006	*less than 6 months*	*6 up to 12 months*	*1 up to 2 years*	*2 up to 5 years*	*5 years and over*	*total*
Cash and cash equivalents/ bankoverdrafts	134,594					134,594
Current	27,858	166,610				194,468
Financial assets	1,880,653	51,611	1,306,814	1,436,320	1,340,839	6,016,237
Financial liabilities	(732.146)	(488.769)	(1,583,403)	(1,647,711)	(1,752,957)	(6.204.986)
Interest GAP on balance	**1,310,959**	**(270,548)**	**(276,589)**	**(211,391)**	**(412,118)**	**140,313**
Derivatives	(1,235,731)	280,924	288,001	256,806	410,000	0
Net interest gap	**75,228**	**10,376**	**11,412**	**45,415**	**(2,118)**	**140,313**

At December 31, 2005	*less than 6 months*	*6 up to 12 months*	*1 up to 2 years*	*2 up to 5 years*	*5 years and over*	*total*
Cash and cash equivalents/ bankoverdrafts	38,629					38,629
Total financial assets	2,841,150	157,945	245,129	2,628,404	2,009,079	7,881,707
Financial liabilities	(1,670,594)	(197,000)	(348,256)	(3,124,106)	(2,630,579)	(7,970,535)
interest GAP on balance	**1,209,185**	**(39,055)**	**(103,127)**	**(495,702)**	**(621,500)**	**(50,199)**
Derivatives	(1,246,331)	39,055	102,001	495,702	609,573	0
Net interest gap	**(37,146)**	**0**	**(1,126)**	**0**	**(11,927)**	**(50,199)**

Liquidity risk

Liquidity risk is the risk that Fortis Finance N.V. has not sufficient cash to pay loans when these become due. Fortis Finance N.V. reduces this risk by maintaining credit lines and by matching the funding and the on lending in maturity terms. The following table indicates the maturity of interest income-earning financial assets and interest-bearing financial liabilities:

maturity schedule 2006	*less than 6 months*	*6 up to 12 months*	*1 up to 2 years*	*2 up to 5 years*	*5 years and over*	*total*
Cash and cash equivalents/ bank overdrafts	134,594					134,594
Current Assets	27,858	166,610				194,468
Financial assets	433,706	190,118	1,638,147	1,886,667	1,867,599	6,016,237
Financial liabilities	(446.125)	(382.183)	(1,687,149)	(1,835,702)	(1,853,827)	(6.204.986)
Liquidity GAP	**150,033**	**(25,455)**	**(49,002)**	**50,965**	**13,772**	**140,313**

maturity schedule 2005	*less than 6 months*	*6 up to 12 months*	*1 up to 2 years*	*2 up to 5 years*	*5 years and over*	*total*
Cash and cash equivalents/ bank overdrafts	38,629					38,629
Financial assets	1,315,630	183,480	476,669	3,191,032	2,714,896	7,881,707
Financial liabilities	(1,317,970)	(176,549)	(495,056)	(3,257,880)	(2,723,080)	(7,970,535)
Liquidity GAP	**36,289**	**6,931**	**(18,387)**	**(66,848)**	**(8,184)**	**(50,199)**

Sensitivity analysis

In managing interest rate and currency risks Fortis Finance N.V. aims to reduce the impact fluctuations on the earnings.

At 31 December 2006, it is estimated that a general increase of one percentage point in interest rates would not have a material impact on the earnings of the company.

It is estimated that a general increase of one percentage point in the value of the euro against other foreign currencies would not have a material impact on the earnings of the company.

Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table.

Derivatives

Forward exchange contracts and interest rate swaps are either marked to market using listed market prices or by discounting the contractual forward price and deducting the current spot rate.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate for a similar instrument at the balance sheet date. Where other pricing models are used, inputs are based on market related data at the balance sheet date.

Interest-bearing loans and borrowings
Fair value is calculated based on discounted expected future principal and interest cash flows.

Interest rates used for determining fair value
The entity uses the mid-swap curve of Fortis Bank Belgium as of 31 December 2006 without an adequate constant credit spread to discount financial instruments.

13. Related parties

The purpose of Fortis Finance N.V. is to provide funding for the Fortis Group and Group companies. All funding transactions are lend-on to other Fortis entities. The pricing of the on lending is not always at market rates, but at the lowest rates possible given fiscal rules and regulations.

Fortis Finance N.V. does not have any employees; all operational and management activities are performed by employees of other Fortis entities. The activities are recharged to Fortis Finance N.V. based on Service level agreements.

Other information

Provisions of the articles of association concerning profit appropriation

Article 18 , subsection 1 and 2, of the Articles of Association reads:

The company may make distributions to the shareholders and other persons entitled to the profit available for distribution only in so far as the equity capital of the company exceeds the aggregate of the paid-up and called-up part of the capital of the company and the reserves that have to be kept by law.

Profits may be distributed only after adoption of the annual accounts showing that such distribution is permissible.
The profit shown in the adopted annual accounts may be disposed of by the general meeting of shareholders as it sees fit.

Profit appropriation

The Board of Directors of the company proposes to the General meeting of Shareholders that from the profit of EUR 62,048,000 for the financial year EUR 30 million (EUR 120,000 per share) will be paid to the shareholders and the remainder of EUR 32,048,000 will be added to the Retained Earnings.

Auditors' report

To: The general meeting of shareholders.

Auditors' report

Report on the financial statements

We have audited the accompanying financial statements 2006 of Fortis Finance N.V., Utrecht, as set out on pages 5 to 21 which comprise the balance sheet as at 31 December 2006, the profit and loss account, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the report of the board of directors in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Fortis Finance N.V. as at 31 December 2006, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the report of the board of directors is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Utrecht, 15 May 2007

KPMG ACCOUNTANTS N.V.
H.P. van der Horst RA