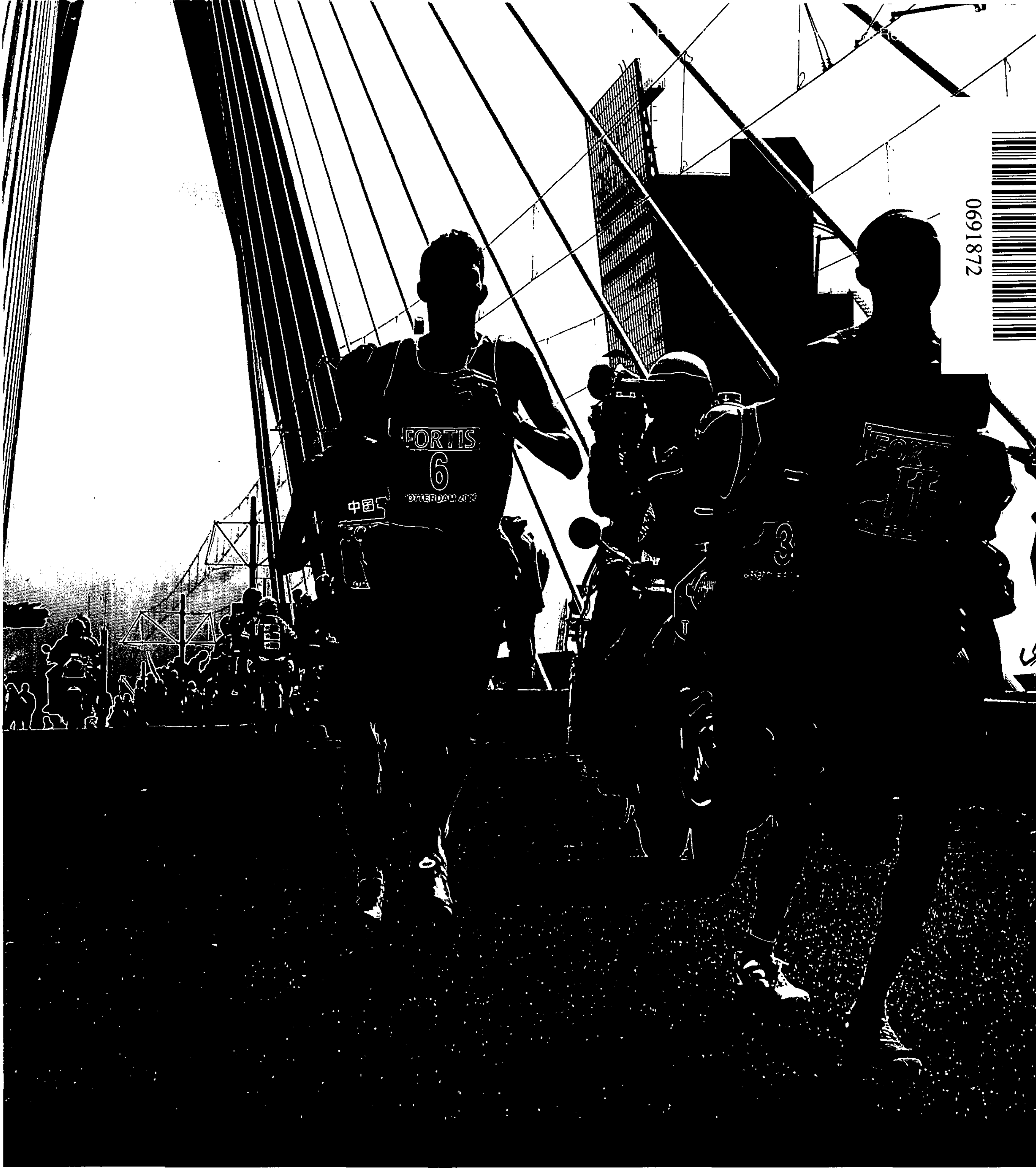


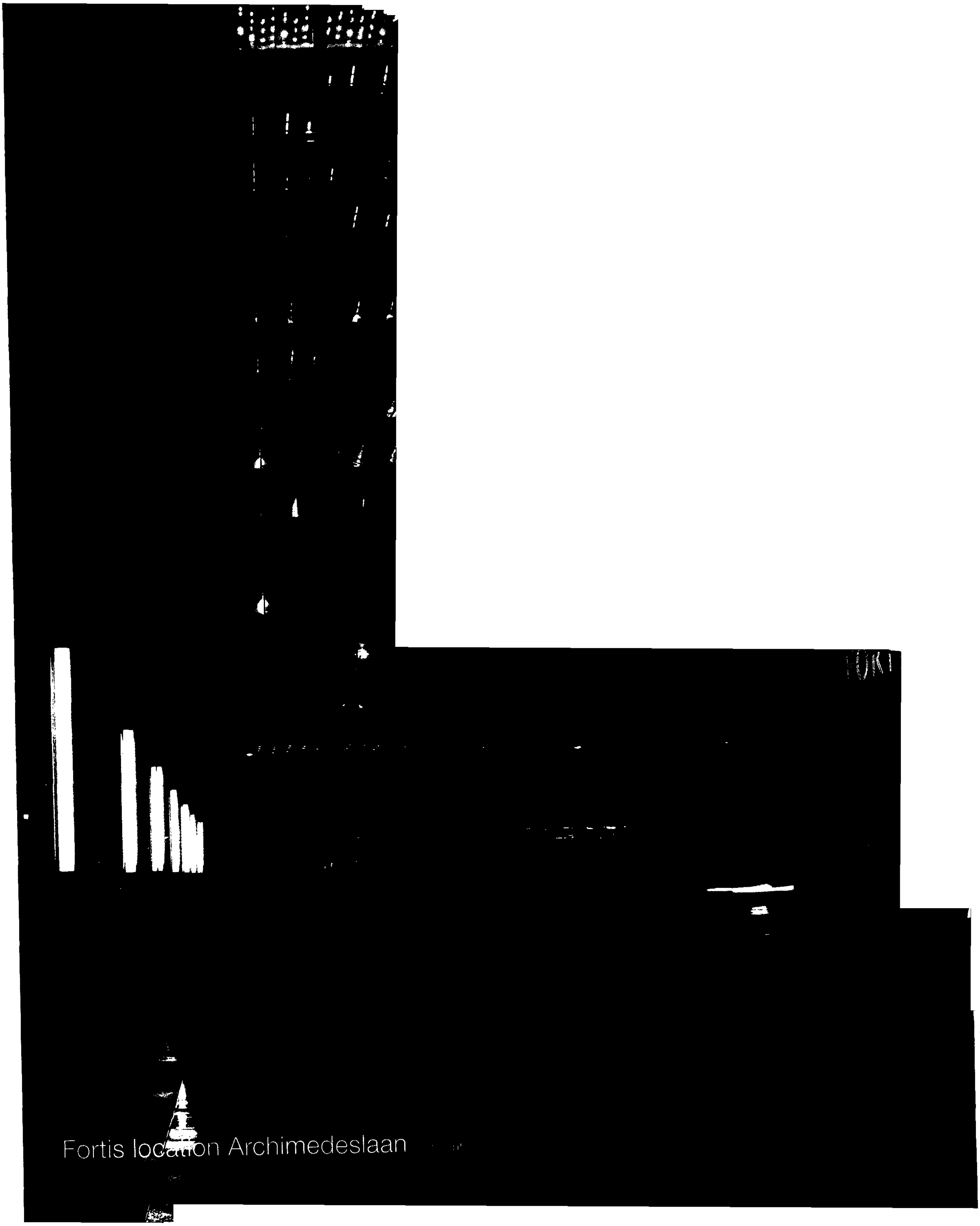
FORTIS

Annual Review 2006

Fortis Bank Nederland (Holding) N.V.

Annual Review 2006

Content



Fortis location Archimedeslaan

Profile

Fortis Bank Nederland (Holding) N.V. is part of Fortis Bank N.V. in Brussels and of Fortis, an international financial services provider active in the fields of banking and insurance. With total assets of EUR 775 billion and shareholders' equity of EUR 20.6 billion, Fortis is one of the twenty largest financial institutions in Europe. With its sound solvency position and broad spread of risk and the extensive expertise of its 59,747 employees, Fortis combines global strength with local flexibility to provide optimum support for its customers. As of 31 December 2006, Fortis Bank Nederland (Holding) N.V. had total assets of EUR 210 billion and 10,727 employees.

Fortis is determined to develop and strengthen the leading position it already occupies in the Benelux countries, which constitute its home market. Fortis can draw on the expertise it has acquired in its home market in achieving its ambitions for European growth. Fortis also engages successfully in a number of selected activities worldwide, putting its expertise and experience to good use in bancassurance in several countries in Europe and Asia.

Sustainable economic growth and social responsibility are the principles which underpin Fortis' operations. Fortis is committed to the welfare of its millions of customers and is deeply rooted in the local community.

Fortis is listed on the Amsterdam, Brussels and Luxembourg stock exchanges and has a sponsored ADR programme in the United States.

Fortis Bank Nederland (Holding) N.V. (hereinafter referred to as 'Fortis Bank Nederland') is the holding company which owns all the shares in Fortis Bank (Nederland) N.V.. It was created by the merger of three banks, VSB Bank, Generale Bank Nederland and MeesPierson, all of which have a long and impressive history.

Fortis Bank Nederland is solely liable for the obligations arising out of the legal actions of Fortis Bank (Nederland) N.V. within the meaning of Section 403, subsection I, paragraph f, of Book 2 of the Netherlands Civil Code.
Fortis Bank Nederland is the banking division of Fortis Bank S.A./NV. in the Netherlands and is the holding company for a variety of businesses providing banking and financial services in the Netherlands and abroad. Its main activities are retail banking, commercial and private banking and merchant banking.

Fortis Bank Nederland provides financial services under the 'Fortis Bank' brand. The private banking operations in the Netherlands are conducted under the 'Fortis MeesPierson' label.

Fortis Bank Nederland also encompasses a number of Dutch and international businesses that continue to provide specialist financial services under their existing names. These include Fortis Commercial Finance Holding N.V. (factoring services), NeSBIC Groep B.V. (venture capital), International Card Services B.V. (card services), ALFAM Holding N.V. (consumer credit), Direktbank N.V. (mortgages), Fortis Groenbank B.V. (sustainable investments), Fortis Intertrust N.V. (trust services) and Fortis Hypotheek Bank N.V. (residential mortgages).

Credit ratings of Fortis Bank Nederland (Holding) N.V.

	Long-term	Outlook	Short-term
Standard & Poor's	AA-	Stable	A-1+
Moody's	Aa3[1]	Stable	P-1
Fitch Ratings'	AA-	Stable	F 1+

[1] Moody's revised the long-term rating on 10 April 2007 to Aa2

Objectives

The cornerstones of the Fortis strategy are to grow our banking and insurance franchise profitably by focusing on the customer; to concentrate on Europe, while pursuing selective growth in Asia and North America; and to create one strong international brand. All this will enable it to deliver sustainable stakeholder value

In late 2006 Fortis enhanced its operating model by creating three client-centric businesses, allowing Fortis to better leverage our core competences and to optimise cross-selling opportunities. We upgraded our support functions, too, helping us to achieve controlled growth primarily in Europe and selectively in Asia and North America.

To sustain our growth momentum, we will concentrate our management focus, talent and capital on selected core competences, enabling us to accelerate the rollout of our skills to new markets. At the same time, we will continue to pursue external growth opportunities in order to execute our plans even more effectively or enter new markets by making add-on acquisitions according to strict investment criteria.

While our strategy remains unchanged, we have updated our business plans and long-term financial targets to the end of 2011.

Fortis Bank Nederland is the banking division of Fortis in the Netherlands and is active as a holding company for a variety of businesses providing banking and financial services in the Netherlands and abroad. Fortis Bank Nederland will continue to contribute to this strategy.

Key figures

The figures shown below are derived from the 2006 consolidated financial statements of FBN(H) prepared in accordance with IFRS as adopted by the EU.

	2006	2005	2004	Change 05-06	Change 04-05
Income statement (in EUR million)					
Income	3,473	3,153	2,238	10.1%	40.9%
Expenses	(1,824)	(1,707)	(1,614)	6.9%	5.8%
Net profit	1,157	1,049	416	10.3%	152.2%
Balance sheet (in EUR million)					
Due from customers	124,038	108,775	97,524	14.0%	11.5%
Customers deposits	63,856	51,618	47,280	23.7%	9.2%
Shareholders' equitiy	5,910	5,613	3,915	5.3%	43.4%
Total assets	209,749	170,871	169,621	22.8%	0.7%
Assets under management	35,624	34,448	31,437	3.4%	9.6%
Financial measures					
Return on equity	20.1%	22.0%	11.2%		
Cost/income ratio	52.5%	54.1%	72.1%		
Risk-weighted commitments	66,995	63,323	53,460	5.8%	18.4%
Tier 1 ratio	8.6%	8.5%	7.9%		
Total capital ratio	10.5%	10.5%	9.5%		
Employees (year-end)					
FTE's	9,949	9,459	9,404	5.2%	0.6%
Headcount	10,727	9,950	10,100	7.8%	-1,5%
Net profit per FTE (x EUR 1000)	116	111	44	4.5%	150.7%

Board structure

Supervisory Board

A.M. Kloosterman (Chairman)
K.A.M. De Boeck
J.M.A. Clijsters
P.J.A. Depovere
F.R.J. Dierckx
H.C.L. Verwilst

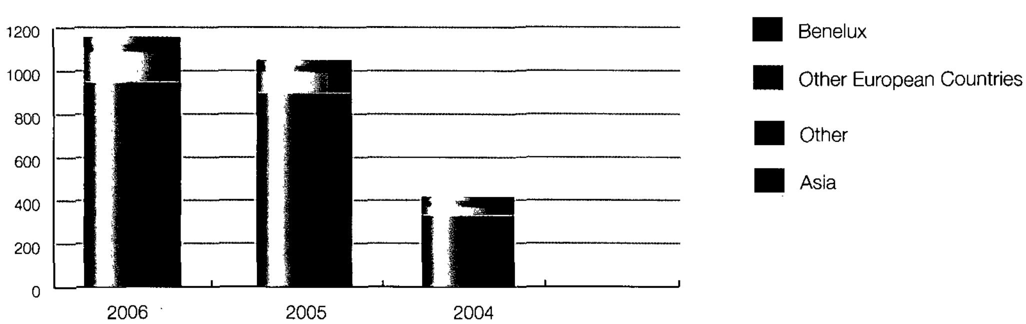
Executive Board

J.C.M. van Rutte (Chairman)
F.J. van Lanschot
H.P.F.E. Bos

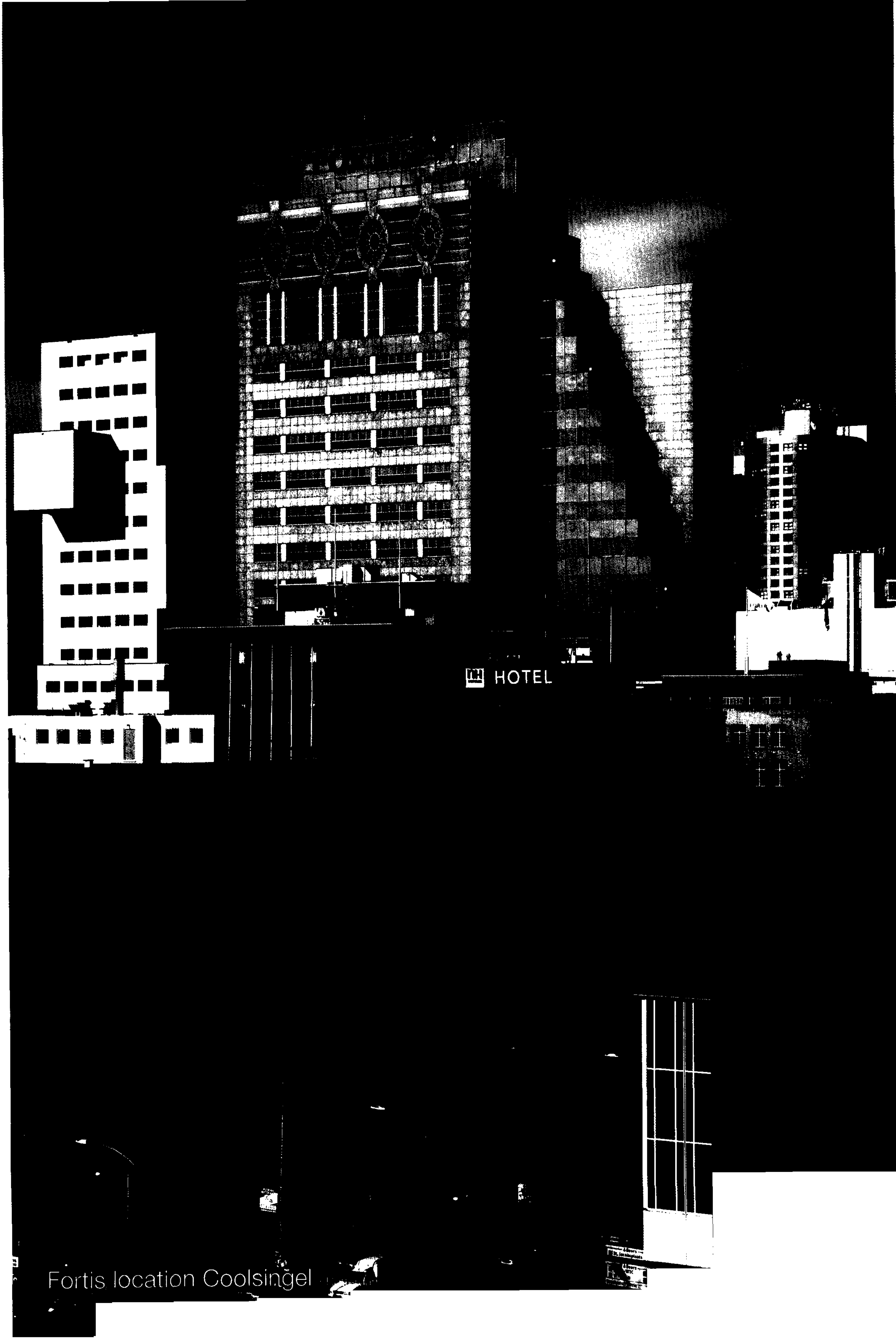
Company Secretary

Mrs J.G. Bertels

Geographical split of net profit



		2006	2005	2004
Totaal	Benelux	946	895	329
	Other European Countries	140	101	42
	Others	35	26	26
	Asia	36	28	20



Fortis location Coolsingel

Report of the Executive Board to the shareholders

We are pleased to present the annual report for the year 2006. The annual report of FBN(H) constitutes of two separate documents, the Annual Review 2006 and the Financial Statements 2006. The Financial Statements consist of the consolidated and the company financial statements of Fortis Bank Nederland (Holding) N.V.. The Financial Statements are duly signed by the members of the Executive Board and the Supervisory Board in accordance with Article 15 of the Articles of Association. KPMG Accountants N.V. have audited these financial statements, their auditors' statement is given op page 41 and their auditors' report is included in the financial statements as 'other information'. We recommend that you adopt the financial statements, exercising your authority under Article 15 (5) of the Articles of Association, thereby ratifying the actions of the members of the Executive Board in respect of their management and those of the members of the Supervisory Board in respect of their supervision in the past year.

Profit appropriation

An interim dividend of EUR 500 million has been paid to the holders of ordinary shares. We recommend that the General Meeting of Shareholders add the remaining profit of EUR 582 million to the reserves, after deducting the final dividend of EUR 75 million payable to the holders of ordinary shares pursuant to Article 19 (3) of the Articles of Association.

Capital

The authorised share capital as at 31 December 2006 amounted to EUR 1,000,022,014, divided into 1,453,709 ordinary shares, 750,001 non-cumulative preference shares and one cumulative preference share, each with a nominal value of EUR 453.79. As at 19 January 2007, the authorised share capital amounted to EUR 1,000,022,014, divided into 1,853,711 ordinary shares and 350,000 non-cumulative preference shares, each with a nominal value of EUR 453.79.

Supervisory Board

Mr. B.J.H.S. Feilzer stood down as Chairman of the Supervisory Board on 28 November 2006 upon his retirement and was succeeded by Mr. A.M. Kloosterman. Mr. J.M.A. Clijsters was appointed to the Supervisory Board with effect from 26 September 2006.
We thank Mr. Feilzer for his valuable contribution to the development of both Fortis and Fortis Bank Nederland.

Executive Board

Mr. C.J. Beuving stood down as Chairman of the Executive Board on 1 October 2006 upon leaving Fortis' service and was succeeded by Mr. J.C.M. van Rutte. We thank Mr. Beuving for his valuable contribution to the development of the Fortis Bank Nederland.

Mr. R.H.L. ten Heggeler stood down as member of the Executive Board on 1 May 2006 upon leaving Fortis' service. He was succeeded by Mr. H.P.F.E. Bos as CEO of Private Banking and as the member of the Executive Board with responsibility for Commercial & Private Banking.

We want Fortis to be Europe's leading cross-border bank serving both enterprises and entrepreneurs.

Executive Board

The primary areas of responsibility of the Executive Board members as at 31 December 2006 were as follows:

J.C.M. van Rutte responsible for: **Chairman of the Executive Board**
Technology, Operations and Process services
HRM (including Works Council)
Audit Services
Performance management, Consolidation and Accounting
Central Risk Management
Facilities and Purchasing
Legal, Compliance and Investigations
Tax
General Secretary

F.J. van Lanschot responsible for: **Member of the Executive Board (Vice Chairman)**
Merchant Banking

H.P.F.E. Bos responsible for: **Member of the Executive Board**
Commercial & Private Banking including Trust Services and Factoring
Corporate Sustainability
Customer Events

left to right: J.C.M. van Rutte, F.J. van Lanschot, H.P.F.E. Bos

Overall responsibility for Retail Banking is shared by the Executive Board.

Recent developments
The Articles of Association were amended with effect from 19 January 2007 to bring them into line with changes to the Netherlands Civil Code following amendments to the corporate structure legislation (Structuurwet).

Appreciation
The bank's results in 2006 were more than excellent, due solely to our continued focus on a high standard of service for our highly valued and rapidly increasing customer base.

Fortis Bank was voted 'Best Commercial Bank of the Year 2006' (Zakenbank van het jaar 2006) in the annual poll organised by Het Financieele Dagblad in cooperation with Erasmus University in Rotterdam.

In every organisation, and especially in a service company such as our bank, both customer satisfaction and the company's results are largely the product of staff commitment and expertise. On behalf of our Board and the Supervisory Board, we take this opportunity to express our appreciation to our employees for their dedication and hard work.

Utrecht, 26 March 2007

Executive Board

J.C.M. van Rutte, Chairman

F.J. van Lanschot

H.P.F.E. Bos

In every organisation, and above all in a service company such as our bank, customer satisfaction and results are determined to a large extent by staff commitment and expertise.

Report of the Executive Board for 2006

The figures presented in this report are derived from the consolidated financial statements of Fortis Bank Nederland (Holding) N.V. prepared in accordance with IFRS as adopted by the EU.

Highlights in 2006

- Net profit of EUR 1,157 million
- Transfer of Fortis ASR's Facility department to FBN
- Cancellation of loans between FHB and Fortis Finance
- Sale of Euronext shares in February 2006

Results

Fortis Bank Nederland's net profit was 10% higher in 2006, at EUR 1,157 million (2005: EUR 1,049 million).

Consolidated income statement

Table: Net profit in 2006, 2005 and 2004 is analysed below presents a breakdown of net profit in 2006, 2005 and 2004.

In EUR million	2006	2005	2004
Income			
Interest income	13,532	8,893	7,642
Interest expense	(12,075)	(7,283)	(6,204)
Net Interest income	1,457	1,610	1,438
Fee and commission income	957	852	798
Fee and commission expense	(111)	(104)	(114)
Net fee and commission income	846	748	684
Dividend and other investment income	20	48	36
Share in result of associates and joint ventures	10	32	36
Realised capital gains (losses) on investments	97	161	112
Other realised and unrealised gains and losses	884	487	(128)
Other income	159	67	60
Total income	3,473	3,153	2,238
Change in impairments	(70)	(62)	(29)
Net revenues	3,403	3,091	2,209
Expenses			
Staff expenses	(848)	(923)	(794)
Other expenses	(843)	(664)	(727)
Depreciation and amortisation of tangible and intangible assets	(63)	(58)	(64)
Total expenses	(1,754)	(1,645)	(1,585)
Profit before taxation	1,649	1,446	624
Income tax expense	(472)	(377)	(189)
Net profit for the period	1,177	1,069	435
Net profit attributable to minority interests	20	20	19
Net profit attributable to shareholders	1,157	1,049	416

Net interest income was EUR 153 million lower at EUR 1,457 million, including penalty fees paid of EUR 86 million due to the cancellation of loans between FBN subsidiary Fortis Hypotheek Bank and Fortis Finance, which resulted into lower funding costs for FHB.

Capital gains on investments were EUR 64 million lower at EUR 97 million. The 2006 result consists mainly of the gain on the Euronext shares which were sold in February 2006.

Other realised and unrealised gains and losses totalled EUR 884 million in 2006, an increase of EUR 397 million, due primarily to Merchant Banking's results on equity investments and securities-financing activities partly compensated for by related lower intrest income and improved results by the ALM department on derivatives not included in the macro hedge.

Net commissions and fees amounted to EUR 846 million, up EUR 98 million on 2005, reflecting the stronger performance of Commercial & Private Banking and Merchant Banking, which reported higher fiduciary and portfolio management fees and service fees.

Other income increased to EUR 159 million in 2006, due to EUR 83 million facility charges paid by Fortis ASR (insurance). In January 2006, the Facility department of Fortis ASR was merged with Fortis Bank Nederland's Facility department.

Staff expenses decreased to EUR 848 million, the net effect of the provision of EUR 45 million formed in 2005 for the management upgrade project and the release in 2006 of EUR 33 million from the provision for employer's contributions to the healthcare costs of retired personnel.

Fortis Bank Nederland employed 9,949 **full-time equivalents** as at year-end 2006, an increase of 490 on year-end 2005. The merger of the Facility department of Fortis ASR with Fortis Bank Nederland's Facility department accounted for 231 of these.

Other expenses increased to EUR 843 million, due primarily to the inclusion of the Fortis ASR's Facility department and increased expenditure on technology, systems and external staff and additions to provisions.

Income tax expenses amounted to EUR 472 million in 2006 and the effective tax rate was 28.6%, up from 26.0% in 2005.

		2006	2005	2004
Retail Banking	Income	1,081	998	523
	Cost	-583	-584	-479
	Net Profit	309	282	19
	Cost-Income Ratio	54%	59%	92%
	Contribution to Net profit	27%	27%	5%
	FTE's	2,439	2,331	2,554

		2006	2005	2004
Merchant Banking	Income	1,172	1,074	781
	Cost	-475	-487	-453
	Net Profit	553	487	267
	Cost-Income Ratio	41%	45%	58%
	Contribution to Net profit	48%	46%	64%
	FTE's	1,955	1,813	1,711

		2006	2005	2004
Commercial & Private Banking	Income	949	825	599
	Cost	-527	-503	-419
	Net Profit	290	230	132
	Cost-Income Ratio	56%	61%	70%
	Contribution to Net profit	25%	22%	32%
	FTE's	2,985	2,841	2,583

		2006	2005	2004
Other Banking[2]	Income	199	194	306
	Cost	-169	-71	-234
	Net Profit	5	50	-2
	Cost-Income Ratio	85%	37%	76%
	Contribution to Net profit	0%	5%	0%
	FTE's	2,570	2,474	2,556

		2006	2005	2004
Total	Income	3,401	3,091	2,209
	Cost	-1,754	-1,645	-1,585
	Net Profit	1,157	1,049	416
	Cost-Income Ratio	52%	53%	72%
	FTE's	9,949	9,459	9,404

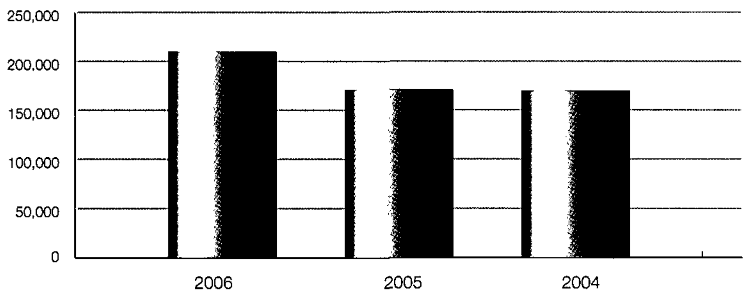
[2] In the section Other Banking are reported balance sheet intems, revenues and costs for support functions, operations, Asset and Liability Management and Fortis Hypotheek Bank. The figures reported are those after allocation to the commercial segments.

Consolidated balance sheet

(before appropriation of profit)

In EUR million	31 December 2006	31 December 2005	31 December 2004
Assets			
Cash and cash equivalents	22,075	13,508	20,046
Assets held for trading	23,393	17,004	16,270
Due from banks	27,071	17,263	21,655
Due from customers	124,038	108,775	97,524
Investments:			
- Held to maturity	33		
- Available for sale	3,795	6,741	7,335
- Held at fair value through profit or loss	179	153	143
- Investment property	3	4	4
- Associates and joint ventures	906	820	736
	4,916	7,718	8,218
Other receivables	2,920	2,641	1,082
Property and equipment	385	319	324
Goodwill and other intangible assets	228	139	86
Accrued interest and other assets	4,723	3,504	4,416
Total assets	209,749	170,871	169,621
Liabilities			
Liabilities held for trading	32,961	21,192	19,771
Due to banks	70,144	58,600	69,605
Due to customers	63,856	51,618	47,280
Debt certificates	25,344	19,262	18,204
Subordinated liabilities	2,402	2,201	1,823
Other borrowings	903	4,335	2,931
Provisions	91	132	141
Current tax liabilities	518	234	275
Deferred tax liabilities	47	16	293
Accrued interest and other liabilities	7,386	7,493	5,217
Total liabilities	203,652	165,083	165,540
Issued capital and reserve	5,910	5,613	3,915
Minority interests	187	175	166
Total equity	6,097	5,788	4,081
Total liabilities and equity	209,749	170,871	169,621

Total Assets



	Total Assets
2006	209,749
2005	170,871
2004	169,621

Fortis Bank Nederland's **balance sheet total** as at year-end 2006 was 23% higher at EUR 210 billion, up from EUR 171 billion as at year-end 2005, mainly due to the growth in the activities of Global Markets, which is part of Merchant Banking.

Cash and cash equivalents were 63% higher at EUR 22 billion, with the increase at Merchant Banking more than offsetting decreases at Commercial Banking and Fortis Hypotheek Bank.

Due from banks increased 57% to EUR 27 billion at the end of December 2006, due principally to securities lending operations at Merchant Banking.

Due from customers was up 14% to EUR 124 billion. Growth in the residential mortgage portfolio and increased securities lending volume were the main contributory factors.

Assets held for trading increased 38% to EUR 23 billion, mainly reflecting growth in the securities trading portfolio at Merchant Banking.

Liabilities held for trading were 56% higher at EUR 33 billion, chiefly due to increased short positions in equities.

Due to banks was 20% up at EUR 70 billion, mainly the result of the growth in securities lending transactions and time deposits at Merchant Banking.

Due to customers amounted to EUR 64 billion, an increase of 24%, mainly attributable to Merchant Banking and, to a lesser extent, Private Banking and ALM.

Debt certificates increased 31% to EUR 25 billion, driven by ALM and securitisation transactions at Fortis Hypotheek Bank.

Shareholders' equity was slightly higher at EUR 5.9 billion. The net result of EUR 1 billion for the year amply covered the dividend 2005 of EUR 270 million and the interim dividend of EUR 500 million paid to Fortis Bank S.A./N.V..

Executive Board

J.C.M. van Rutte, Chairman

F.J. van Lanschot

H.P.F.E. Bos

The image and heading above were used in an ad to express the appreciation for Fortis as Business Bank of the year 2006.

All of us have dreams and ambitions. You want to succeed and to prosper in your life's journey. And that means taking your unique plans and putting them into practice.

Fortis location Prins Bernhardplein

Structure of Fortis Bank

Within the Fortis group, Fortis Bank operates worldwide through three client-oriented businesses: Retail Banking, Merchant Banking and Commercial & Private Banking. Each business comprises several business lines.

Coordination of the various banking activities of Fortis in the Netherlands is the responsibility of the Executive Board of Fortis Bank Nederland. To enable the Board to perform this task, the members of the Executive Board are also members of the respective cross-border management teams of the businesses and corporate departments.

The principal operations of the various businesses within Fortis Bank Nederland in 2006 are summarised on the following pages.

Retail Banking

Mission & Strategy

Retail Banking Netherlands is the distribution channel for Fortis' retail banking services in the Netherlands. It offers a full range of banking products and services, from day-to-day banking and savings account activities to investments and mortgage and insurance services, for personal, professional and small business customers, adopting a differentiated customer approach and pursuing a multi-access distribution strategy.

The mission of Retail Banking Netherlands is to become the preferred 'service bank' in the retail market. Our strategy for achieving this objective is based on four main growth initiatives: expanding the existing client base, developing remote channels, increasing the profit generated from non-focus clients and improving the quality of service.

Key developments in 2006

The rollout of Retail Banking's **new branch formula** was completed in the second half of 2006. This transformation project, which was initiated in 2004, has yielded a high-quality network of 160 branches which more than meets market standards. The project underlines Retail Banking's commitment to maintaining a high-quality relationship with its preferred customers.

The new formula aims to increase customer satisfaction by delivering higher levels of personal attention. A complete range of indoor self-banking applications, including multifunctional ATMs, online banking units and phone banking units, reduces the time spent by staff on basic services that provide limited added value. Dedicated customer-service employees act as hosts and actively help clients use self-banking applications. Advisory capacity is directed towards addressing the more complex and specific advisory needs of focus customers.

Retail Banking's focus on mortgages distributed under the Fortis label was highly successful. An increased share of voice, competitive rates and improvements to the sales process translated into remarkable growth in market share over the year. Although, given the local market conditions, a steady decline in margins was inevitable, Retail Banking was able to deliver this result while holding its relative price position in the mortgage market. Total **mortgage sales increased** from EUR 2,225 million in 2005 to EUR 3,557 million in 2006.

The mission of Retail Banking Netherlands is to become the preferred 'service bank' in the retail market.

The **growing importance of remote channels** was underlined by the 40% increase in the number of online banking clients in 2006.

Small Enterprises & Professionals (SE&P) profited greatly in 2006 from the repositioning and restructuring of its service model which was completed in 2005. Preliminary data indicate that SE&P met its overall targets for 2006, including the lending volume targets. Key events were the launch of the SME Package and the Growth Facility. The latter, which aims to give small and medium-sized enterprises more access to finance for growth, has been developed in close cooperation with Fortis Commercial Banking and the government. Fortis is one of the first banks to sign an agreement with the government on setting up such a facility.

Reflecting Retail Banking's commitment to the quality of its service staff, a comprehensive new range of training courses and activities was introduced. The Retail Banking School effectively integrates all existing training and educational activities and provides a broader range of strategic training programmes, to maximise the focus on the development of strategically relevant capabilities among the staff.

Focus in 2007

Critical to the achievement of Retail Banking's growth ambitions is an overall improvement in customer satisfaction, in which further enhancement of our quality of service will be largely instrumental. Better quality of service will increase the likelihood of clients considering Fortis for their other financial needs and for product renewals and recommending Fortis to others. By substantially and continuously raising its service performance, Retail Banking will also present a more distinctive face to the market, which will be instrumental in attracting potential customers and reinforcing relationships with existing customers. Other strategic initiatives include improving the profitability of non-focus customers, revitalising the customer base and further developing the remote channels.

Better quality of service will improve willingness of clients to consider Fortis for other financial needs.

Merchant Banking

Business profile
Merchant Banking is the international wholesale bank within the Fortis organisation, providing tailored financial services to corporate and institutional clients worldwide. Merchant Banking is active in several areas, including treasury, fixed income, energy, commodities and equities (including derivatives and structured products), corporate finance, capital markets, cash management, asset financing, project finance, private equity and structured credits. It is also a specialist in fund administration, global custody, securities lending and clearing services.

Energy, Commodities & Transportation (ECT) offers financial solutions to three industry sectors in which we have a strong regional or global leadership position.

Business & Strategy
Our clearly focused growth strategy is to bring together our key client relationships and strong product franchises with the growth opportunities that we identify. We shall continue to develop our client-centred approach and leverage our core competences and strengths. International expansion is one of the cornerstones of our growth strategy: where we go and what we do always serves to strengthen our position in our specific client, product or skill niches. We have three key levers with which to achieve our objectives: revenue growth, cost efficiency and risk management.

- On the revenue side, we shall continue to apply and fine-tune client-focused segmentation and tailored offerings to promote cross-selling. Our efforts will focus on the following growth drivers:
  - energy, commodities and transportation, sectors in which we possess extensive knowledge and benefit from profitable cross-selling spanning the entire value chain;
  - services to professional traders, hedge funds and other institutional investors, where we shall benefit from the growing importance of alternative asset management and so build on our leading position in this market;
  - the institutional market, which is increasingly demanding complex solutions and fast rollout of derivatives and structured products.
- We shall raise cost efficiency still further, by continuously optimising our back-office operations and IT infrastructure and raising the productivity of our front-office staff.
- We shall actively manage our risk exposure by ensuring controlled growth in risk-weighted commitments and further improving our risk management organisation, processes, methods and tools.

Key developments in 2006
Corporate, Institutional & Public Banking is responsible for the global relationship management of corporate, institutional and public-sector clients. Close cooperation across business lines has further enhanced cross-selling, both geographically and in terms of products and skills. A good example was the financing of a US equity sponsor in the acquisition of a listed European conglomerate which was active in the food, beverages and consumer goods sector.

Energy, Commodities & Transportation (ECT) provides financial solutions for three industry sectors in which we have a strong regional or global position. As a global leader in the wind energy sector, Fortis has successfully expanded its product and service offering, including tax equity investments in the US and long-term power price hedging for wind energy projects.

The growing volume of global trade and rising commodity prices enabled the Metals, Energy and Agriculture commodity teams to boost their market shares in an increasingly competitive environment. An expanded product range allowed Commodities to further deepen its relationship with its customers.

Transportation was highly active in the syndicated loan market and the advisory and capital markets and concluded deals with major players on the international shipping market. For TAL International, Fortis structured the largest and most successful issuance of asset-backed securities in the freight container sector ever.

Global Markets engages in all trading, sales and research activities. All our online products and services for professional clients have been brought under a single client portal, ForPro, which gives clients easy access to research, new issue information and market data, as well as quantitative tools and web applications for cash management, global markets and commodity financing.

Investment Banking offers a wide variety of financial services, including corporate finance, structured finance and private equity. It provides integrated financial solutions in the area of export and project finance, acquisition and leveraged finance, real estate finance and principal finance, primarily targeting transportation groups and companies.

Acquisitions & Leveraged Finance further expanded its international presence by opening offices in Germany and Italy. It played a leading role in transactions involving companies such as Tommy Hilfiger, E-Dreams (Spain) and ABX logistics (Belgium).

Export & Project Finance reported vigorous growth of its activities in infrastructure finance and public/private partnerships, helped by robust market growth in a number of European countries and North America and healthy development of its project finance activities in sectors such as liquefied natural gas, petrochemicals and mining, acting as arranger in several transactions.

Clearing, Funds & Custody offers high-value financial services in custody, clearing and fund administration that support the trading and investment activities of financial professionals.

The fund administration business was expanded with the acquisition of Hedge Fund Services, the largest fund administrator in the British Virgin Islands.

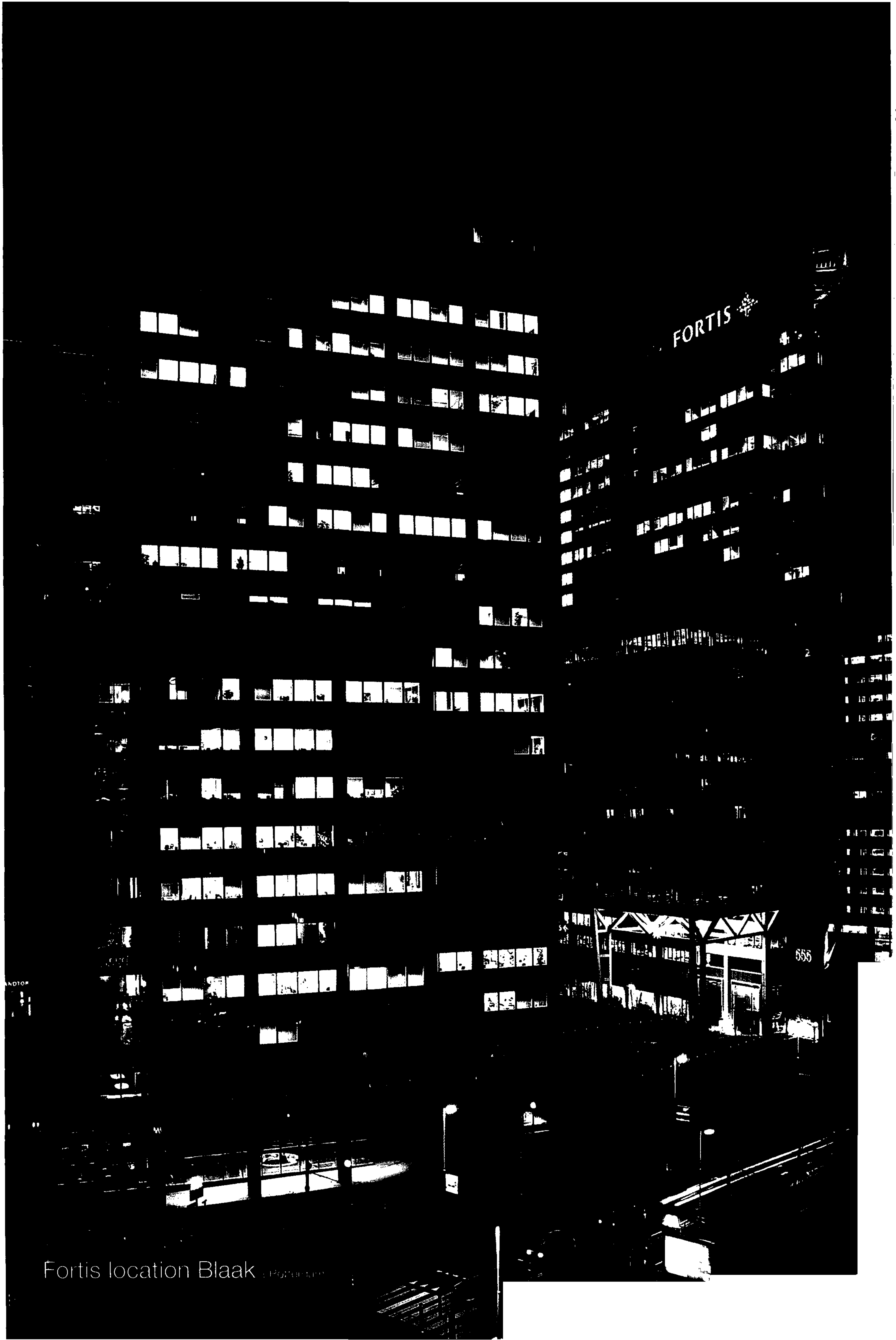
Focus in 2007

Corporate, Institutional & Public Banking focuses on consolidation of our leading positions in the Benelux markets and aims for a tier 1 or top foreign bank position in other selected locations. They will build on existing relationships through a holistic approach to their needs and tailor the servicing based on potential, strategic and profitability-based segmentation.

The Energy, Commodities & Transportation sector will focus on added-value products for its clients along the value chain and follow them as they extend their reach by broadening Fortis' service offering, to support its continued growth in emerging markets.

Global Markets will focus on structured products and derivatives across all asset classes, leveraging its trading skills to grow client-related business, create strong debt and equity capital market units and redeploy its activities in Asia.

For Investment Banking, the challenge will be to grow its direct and fund-of-fund activities in Europe and selectively in the US and Asia, expand its corporate finance services and create an integrated real estate finance unit. It will also seek to improve its global market coverage in export and project finance by strengthening its international network and setting up new operational entities in countries such as Japan, China and Brazil. Private equity activities will be intensified in Energy, Commodities and Transportation.



Fortis location Blaak

Commercial & Private Banking

Mission & Strategy

Commercial Banking aspires to be the partner of choice for European-oriented medium-sized enterprises. We offer these customers value-added solutions via our integrated European network of Business Centres. Our unique 'Act as One' approach means they can arrange all their financial services through a single contact: the Global Relationship Manager. Private Banking provides integrated, world-wide asset and liability management solutions for private clients, for their businesses and for their advisors.

Business owners are a principal source of wealth creation. When Commercial & Private Banking was formed in 2005, it created a structural platform that enables us to service the market represented by the enterprise and the entrepreneur. In 2006, Commercial & Private Banking benefited from this combined global approach, backed up by our new 'Enterprise and Entrepreneur' offering.

This approach is also reflected in the 'Fortis House' concept, in which Commercial Banking and Private Banking personnel share offices.

- Fortis will continue to expand its Business Centre network.
- Commercial Banking and Private Banking will continue to pursue their individual growth paths, while working together closely in the steadily growing multi-local customer segment.
- A comprehensive package of specialised financial services, including leasing, factoring, trust and global trade services, will drive our efforts to maintain our leading market positions.
- We intend to strengthen our customer teams, which will use a single marketing diagnostics database to track new opportunities.
- Cost efficiency will be a constant focus. We shall streamline our sales processes, extend our single IT platform to all Business Centres, centralise back offices and share premises where appropriate.

Commercial Banking

Commercial Banking aspires to be the partner of choice for European-oriented medium-sized enterprises by offering value-added solutions through a cohesive network of Business Centres.

Fortis gives companies access to a unique integrated network of around 125 Business Centres located throughout Europe and Asia, enabling them to arrange all their financial services internationally via a single contact – their Global Relationship Manager – who brings together all Fortis' expertise and provides specialist, tailor-made solutions. This 'Act as One' approach offers customers throughout Europe the same level of service and the same palette of cross-border products, services and specialisms via a single point of contact.

Financial services for medium-sized, internationally active companies is a growing and profitable market. Commercial Banking has been focusing on this segment for some eight years now, giving us a first-mover advantage thanks to our unique cross-border approach, integrated skills and European and Asian network. Our competitors – still largely organised on a country basis – are only just embarking on the cross-border integration that the market demands. Our broad range of services, reinforced by selective acquisitions and the expansion of our Business Centre network, generate more frequent and more sophisticated deals, demonstrating our ability to combine solutions that appropriately address the needs of our customers.

Key developments in 2006

Commercial Banking has extended the integrated European network by opening Business Centres in several new territories, including Greece, Turkey, Sweden and Denmark, and increased distribution capacity by adding new Business Centres in countries in which it already had a presence (France, Italy, Germany and the United Kingdom). Fortis Houses were opened throughout Europe.

In the Netherlands, Commercial Banking focused on optimisation. Service levels for the various target groups were adjusted to increase efficiency and improve the quality of service, for example by setting up five regional 'Enterprise Desks', centralising the services to the horticultural sector and enhancing the services to the public sector and the ports and logistics sectors. The implementation of CROSS, Fortis' uniform credit application tool, which will mean more efficient handling of lending processes, will optimise the operation still further.

Commercial Banking was named Business Bank of the Year by Het Financieele Dagblad in 2006, in recognition of its high service level, quality and responsiveness.

Focus in 2007

The goal for 2007 is sustainable growth: through more intensive cross-selling, winning new customers, rolling out the network model and opening new Business Centres in Europe and Asia (the BC in Hong Kong opened in January 2007). Commercial Banking will contribute to the achievement of the strategic targets by generating additional profitable sales through greater sales force effectiveness.

A new sales process (FINE), complete with a support tool, will be rolled out in the Netherlands.

Project Magnum, a joint project by Commercial Banking and Global Markets, has been launched in Belgium and will be rolled out in the Netherlands in 2007 to boost revenues from risk and liquidity management solutions.

Compliance will also be an increasingly important theme which will demand constant attention from management and employees.

Private Banking

The client is at the heart of Fortis Private Banking's distinctive business philosophy – a commitment clearly expressed in its slogan 'Time to listen, capacity to act'. The professionals at Private Banking, who are trained to listen, understand and respond effectively to the client's individual needs, deliver on that promise every day. Private Banking offers worldwide, integrated asset and liability management solutions for private clients, their businesses and their advisors.

As an international provider of wealth management services, Fortis seeks to establish long-term relationships built on an in-depth understanding of each client's needs and goals. Private Banking offers integrated asset and liability management, combining all the skills which are necessary to address specific client needs: income optimisation, capital growth, business ambitions, wealth preservation and the art of wealth.
When dealing with high net worth clients and their advisors, Fortis always takes a long-term approach with a view to servicing them through all economic cycles and through all the different stages of their personal lives. The integrated services delivery model ensures that clients receive the same high-quality service and attention, wherever they are in the world.

Key developments in 2006

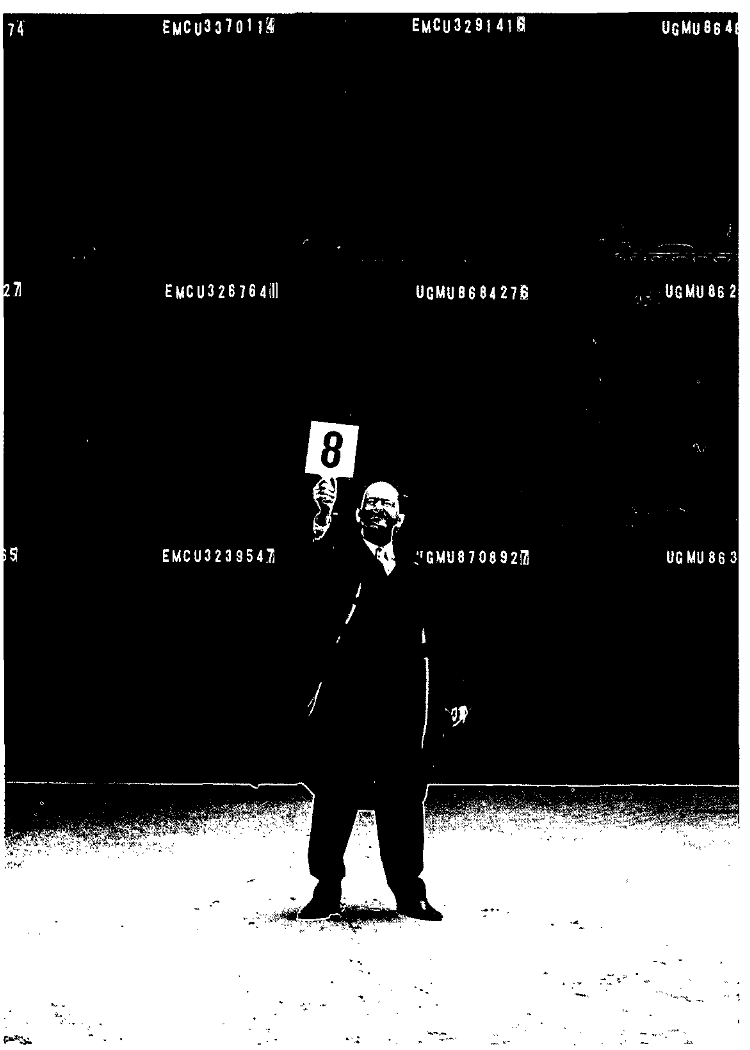
As a global player in the private wealth management arena, Private Banking broadened and deepened its service offering with the addition of tailor-made yacht finance and cross-border mortgage solutions. These solutions fit perfectly into the 'Enterprise and Entrepreneur' concept, which was rolled out initially in six European countries. Private Banking also concentrated on extending its wealth-structuring solutions to meet the specific concerns and needs of entrepreneurs, without compromising its ongoing service offering for its traditional clients.

The integration into Fortis of the former Dryden organisation was completed. The teams moved to shared offices and a range of products and services were successfully introduced to the client bases. Like Commercial Banking, Private Banking also introduced the FINE sales management concept, which will enable our client teams to focus even more closely on their core task of servicing their clients.
New offices were opened in Poland and Russia.

An advertising campaign was launched in the Netherlands to coincide with the linking of the Fortis and MeesPierson names. Both this and the campaign for the 'Enterprise and Entrepreneur' concept reinforced the brand name in the Dutch market. We also invested in upgrading our management information systems and continued to review our processes and procedures to ensure compliance and achieve our risk-management objectives. Our drive to attract top commercial staff was brought to a successful conclusion, with the hiring of over 70 highly qualified private bankers.

We further extended our services for entrepreneurs with the launch of integrated servicing for transfers of family owned companies.

The portfolio of specialised credits (real estate, private loans) continued to grow strongly in 2006. A new regional branch was opened in Maastricht.
Fortis Private Banking ranked 15th among the best global private banks in the Euromoney poll in January 2007 and was named 'Outstanding Business Private Bank 2006' by Private Banker International. Confirming the effectiveness of our client-focused strategy, Fortis was ranked top in relationship management in the Netherlands in the January 2007 Euromoney survey.



Focus in 2007

The objective in 2007 will be to further strengthen and expand our service offering to meet growing client needs and develop our dedicated service offerings for specific client segments, such as entrepreneurs, in order to advance our position in selected markets.

In the Netherlands, we shall continue to focus on top-quality client servicing and thus maintain our leadership in terms of quality of relationship management by developing innovative service offerings and expanding our already broad range of open architecture investment offerings. Additional financing specialists will be recruited to service our clients' growing financing needs and to implement the solutions we offer.

Supported by a stable compliance and risk management framework and our refined management information and control functions, the staff who are in direct contact with clients are well positioned to maintain and advance our leading position in the Dutch private banking market.

Specialised Financial Services (SFS)

Specialised Financial Services (SFS) focuses on leasing, commercial finance, global trade, trust and corporate services. These services, which are an integral part of the banking activities, are provided by separate entities. The primary objective is to stimulate the sale of skills by combining different skills into valuable new solutions for corporate clients and systematically exploiting various internal and external distribution channels and client bases are exploited in a systematic way.

Our ambition: to be a top European financial institution

Fortis Intertrust

Mission & Strategy

Fortis Intertrust, part of the Commercial & Private Banking business line, is a global solutions provider for clients with assets in several countries which have cross-border cash streams. With its headquarters in Geneva and a staff of around 1,100 in 24 countries, Fortis Intertrust is among the leaders in the trust and corporate management services industry worldwide.

Fortis Intertrust Nederland directs the development of its business with reference to four variables: client satisfaction, employee satisfaction, cost/income ratio and compliance. Recognising that it can only achieve its strategic ambitions – to be the best trust office in the Netherlands and the client's logical choice – if its staff and underlying processes are of high quality, Fortis Intertrust has initiated various projects in the Netherlands to support this objective.

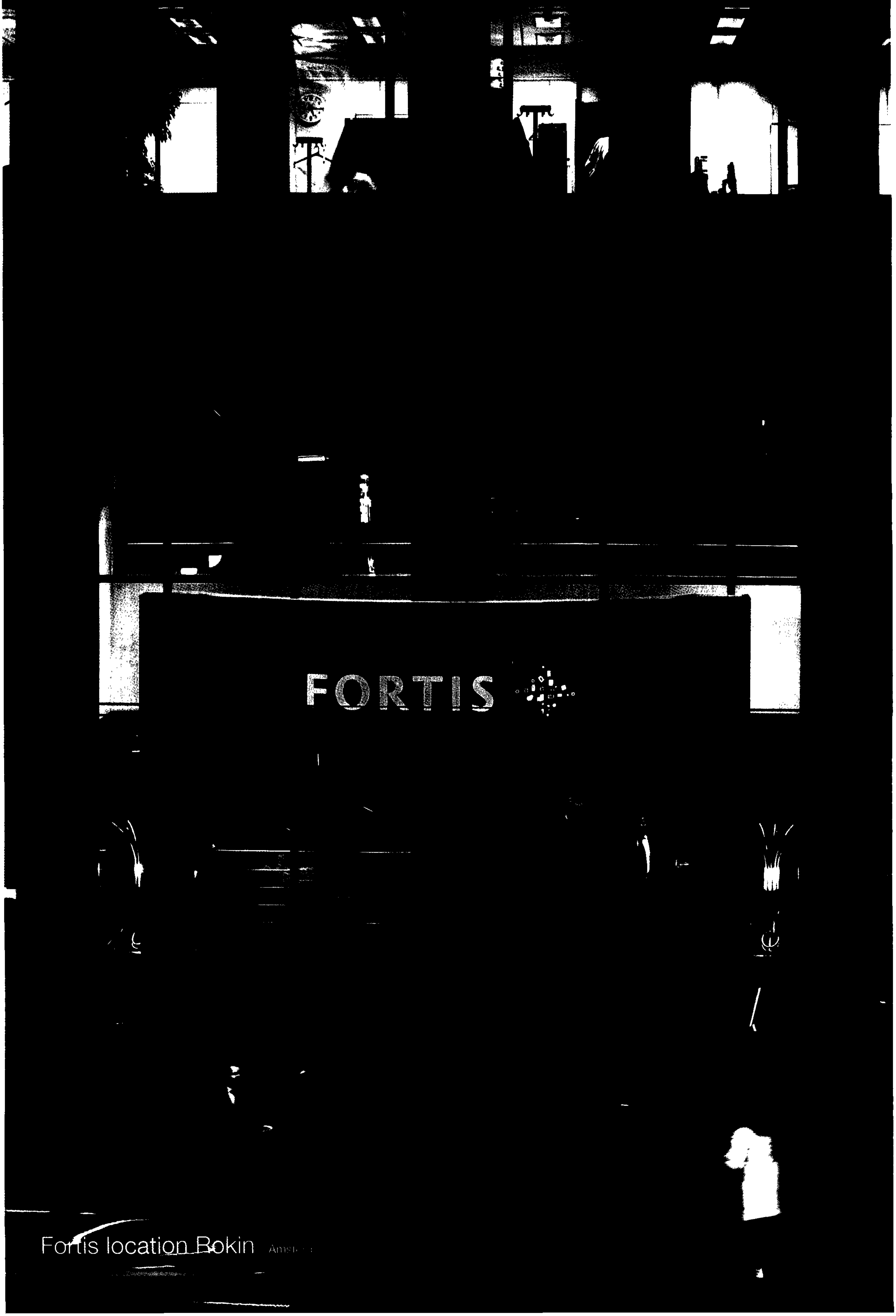
Key developments in 2006

Around 40% of Fortis Intertrust's total revenues were generated by Fortis Intertrust Nederland, with a staff of just over 200. Fortis Intertrust again reported excellent results in 2006, proof of its acknowledged capabilities as a consultant to the international business community.

2006 was a remarkable year in all respects for Fortis Intertrust in the Netherlands. Significant advances were made in the year, in which the rebranding exercise was completed, and substantial progress was achieved in all relevant areas.

Focus in 2007

Fortis Intertrust is generating a growing share of its business through the Fortis network and this collaboration is expected to continue to be successful in the future. It is encouraging to note that the organisation is well able to accommodate this growth in new business with the current staffing levels. To ensure that this high standard is maintained, Fortis Intertrust recently appointed its own recruiter to search the labour market for talented people and persuade them to join the team. High priority continues to be given to creating and preserving a challenging working environment and grow the portfolio in line with the growth in the workforce. The target is to double current revenue in the Netherlands by 2011, making a sojourn with Fortis Intertrust an essential step for those wanting to build a career in the trust function.



Fortis location Rokin

Sustainability

Committed to corporate social responsibility

Corporate social responsibility (CSR), which within Fortis means a combination of sustainable development and community involvement, is part of our group strategy. We believe that our CSR agenda contributes to the achievement of our ambition to be among the top European financial service providers.

The appointment of Lex Kloosterman to the new post of Chief Strategy Officer (CSO) on the Executive Committee underlines the importance we attach to combining strategy and sustainability. The CSO is responsible for developing the strategic framework and defining the direction of the company, while taking charge of investor relations, public affairs, corporate social responsibility and global branding and communications.

At Fortis we focus on two aspects of corporate social responsibility:

Sustainable Development

To us this means conducting business in a responsible manner, achieving sustainable economic growth while serving the legitimate interests of our stakeholders and assuming social and environmental responsibility.

Community Involvement

This relates to our active role in and responsibility for helping local communities to achieve their objectives, through a combination of philanthropy and volunteer work. Our foundations are the main vehicles through which we fulfil this commitment.

Strategy

Agenda 2006, the roadmap which defined our ambitions, priorities and actions for the period 2004 – 2006, has been effective. It has helped us to focus and to make tangible progress in many areas. All specific action points, except for those that can be regarded as ongoing processes, have been addressed. The operational action points we identified in Agenda 2006 made both our employees and outside stakeholders aware of our priorities.

In light of the effectiveness of Agenda 2006, we have decided to formulate a similar roadmap for the next stage of our CSR strategy. Agenda 2009 focuses on three themes:

- sustainable supply chains: managing the value chain in a sustainable way;
- climate change: reducing our own carbon footprint and proactively developing business-driven policies and products which are related to climate change;
- social inclusion: working through the Fortis foundations to help vulnerable groups to participate fully in society and improving access to our products around the world without compromising our high sustainability standards.

We believe that these three themes capture the most significant and material sustainability challenges we will be facing in the coming years. Our efforts to further embed our CSR values in our organisation and processes will focus on these themes. We have formulated specific action points and will continue working on defining specific, measurable priorities and actions that will help us to leverage our performance in those areas.

Agenda 2007 - 2009

Up to 2004	Executing Agenda 2006	Agenda 2009
Increased coordination	Development and implementaion	Focus and acceleration
	1) First sustainability Report 2) Internal sustainability site 3) Central credit policy on sustainability 4) Defense industry Policy 5) Performance indicators as part of business plans 6) Intensification of stakeholder dialogue 7) Development of purchasing policy 8) Group -wide investment policy 9) Group -wide environmental statement 10) Alignment with international standards: endorsement of Equator Principles 11) Development of sector policies 12) Expansion of Foundations	1) Building on overall themes • Sustainable supply chain • Climate change • Social inclusion 2) Action plan carbon neutrality 3) Development and rollout of specific policies. • Shipping • Agri-commodities • Defense industry 4) Further expansion of Foundations in Luxembourg, France, Poland, UK and Turkey.

Results 2006

Our consistent approach to corporate social responsibility has yielded tangible results.

Fortis pledges global carbon neutrality

A step we took last year that was applauded as a benchmark for our peers was the announcement of our ambition to achieve full carbon neutrality for all our operations as from 2007. To prove that we are serious in our commitment, we shall first undertake a 'good housekeeping' exercise to cut our energy consumption by 10% by 2009, by moving to green energy wherever possible and offsetting the remainder of our emissions by buying credits under the European Emissions Trading Scheme. We shall then focus on the carbon impact of and the opportunities and risks presented by our core business activities – lending, insurance and investments. Through this comprehensive carbon-neutrality programme, we aim to establish Fortis' position as a leader in the fight against global warming and the first-choice provider of environmental products.

Endorsement of international initiatives

Our commitment to sustainability was also underlined by our affiliation to UNEP FI and the UN Global Compact. We have also set up an infrastructure for implementation of the Equator Principles

UNEP FI

UNEP FI is a global partnership between the United Nations Environmental Program and more than 160 financial institutions who are signatories to the UNEP FI Statements. Signatories commit to integrating environmental considerations into all aspects of their operations. Networking with prominent financial institutions, engagement with public and private sectors and the sharing of best practices are important aspects that make UNEP FI membership a very meaningful contributor to the achievement of our ambition of environmentally sustainable growth.

Global Compact

The UN Global Compact is an international initiative that brings companies together with UN agencies and labour and civil society representatives to support ten universal principles. Membership advances our internal corporate social responsibility agenda by providing guidelines and providing access to an international network. This enables us to pursue our growth strategy while giving full weight to the relevant sustainability aspects.

Equator Principles

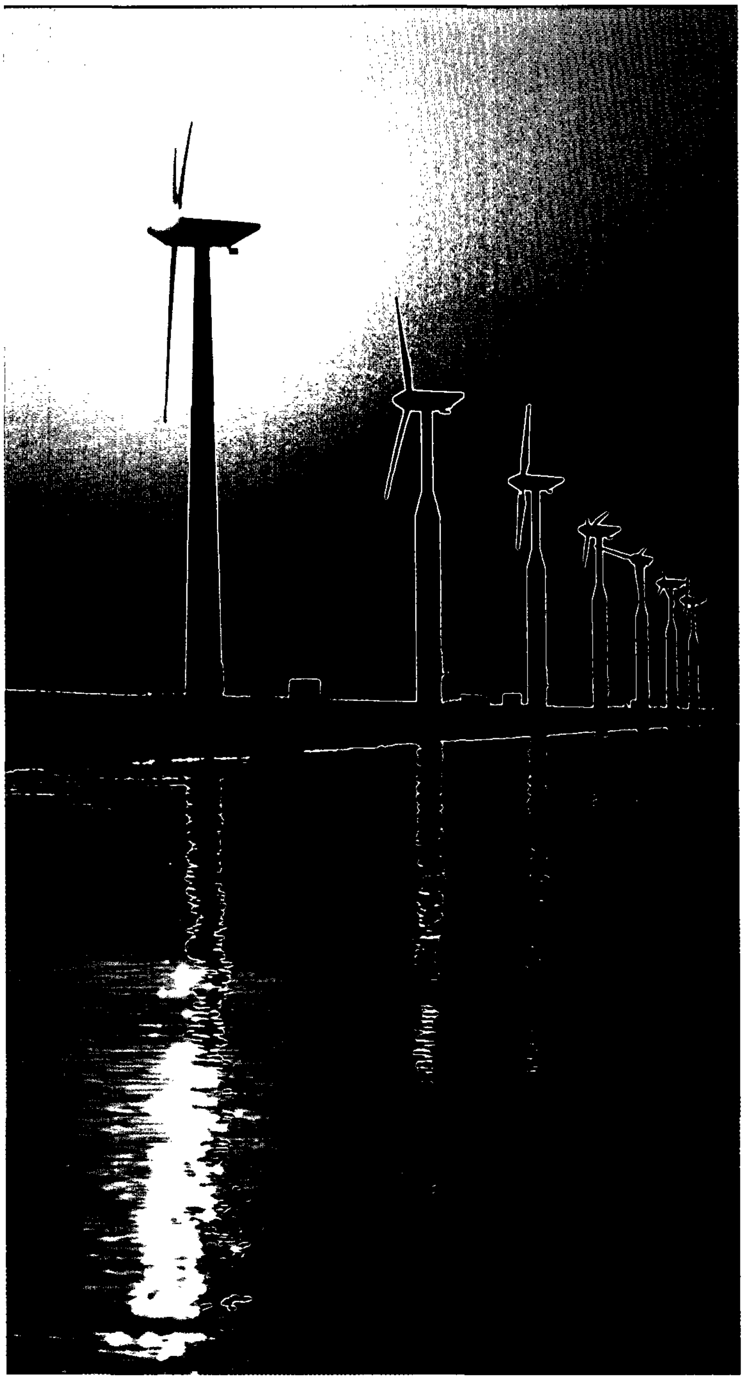
The Equator Principles provide environmental and social guidelines in the area of project finance. On the basis of these principles, projects are categorised according to their potential impact, from category A (high impact) to category C (low impact). For category A and B projects, the borrower must first complete an environmental impact assessment, addressing the environmental and social issues identified in the categorisation process, and then – after consulting the relevant local stakeholders – submit an environmental management plan, covering mitigation, monitoring and management of environmental and social risks.

Reaching out into the organisation: new policies and other highlights

Having sound policies helps us to focus on material issues affecting our operations. In 2006, we developed a sustainability assessment tool for our shipping business, which helps us to identify sustainability issues and assess how our clients deal with them. We have also started developing policies for our commodities business. Having formulated criteria for the palm oil industry in 2006, we shall be drafting policies for other commodities, such as soya, sugar, coffee and cacao, in 2007.

Our third CSR Report, which discusses in greater depth the subjects touched on here, is published simultaneously with the financial report. We hope you will read it and share your observations and ideas with us. More information can be found at our website, **www.fortis.com.**

Sustainability assessment tool helps us to identify sustainability issues and assess how our clients deal with them.



Human Resources

The age-related personnel and employability policy which Fortis Bank Nederland introduced in 2006 is not just concerned with catering for older employees and helping employees affected by reorganisations to find work. Fortis Bank Nederland understands that every age has its challenges.

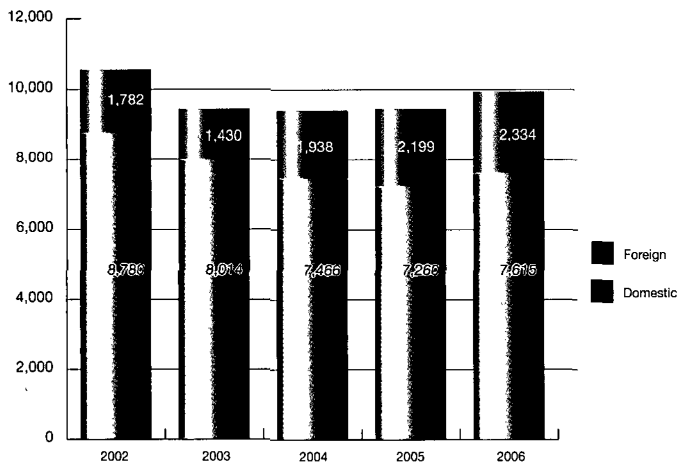
That is why Fortis Bank Nederland is actively promoting the **Life-Course Savings** scheme, which gives employees the option, at any stage in life, of spending time doing something different without having to leave the labour market prematurely. Fortis Bank Nederland offers all employees a 3.5% contribution to Life-Course Savings schemes, with the result that over 40% are now participating. The contributions by employer and employee are paid into individual Life-Course Savings accounts opened with Fortis Retail Bank.

Because it wants to help employees remain active, Fortis Bank Nederland launched the BRAVO project in 2006 to help them stop smoking, moderate their alcohol use, adopt a healthier diet and take more leisure.

While Fortis Bank Nederland helps its employees to remain active in all kinds of ways, it understands that this is, in the end, a matter of individual choice. Fortis Bank Nederland supports the current trend within society to let people make their own choices and assume greater responsibility for their own lives.

2006 brought a number of other advances in the area of freedom of choice. A new, modern **pension plan** has been introduced for new employees with effect from 1 January 2007. Under this new plan, the concept of provision for old age is retained by providing a defined-benefit pension plan for salaries up to around EUR 40,000 (at 2007 prices). For new employees earning more than that threshold, Fortis Bank Nederland pays over the surplus into a defined-contribution plan through which they can save towards their pensions themselves. This also has advantages for Fortis, because it makes it easier to estimate the future cost of pension provision.

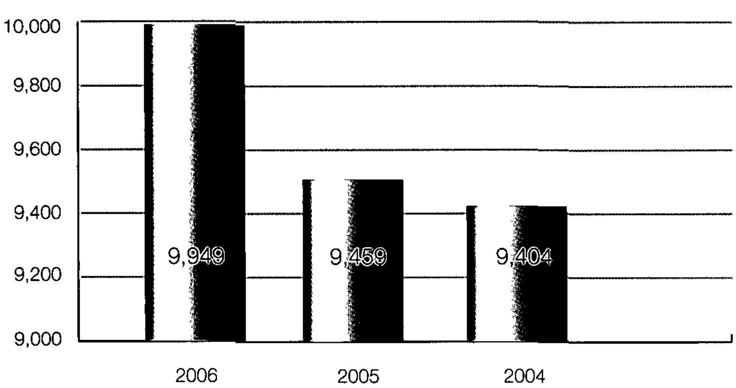
Employees are encouraged to take responsibility for their own careers. The introduction of a talent-search programme under the name 'My vacancies' has created a far more transparent internal labour market within the company. Because, in a large organisation like Fortis, the sheer diversity of jobs and functions can make it difficult for employees and managers to decide which job is their best next step, the challenge for the bank is to help them choose their next career move, inside Fortis but outside their immediate working environment.



Fortis Bank Nederland was the first entity within Fortis to introduce the Fortis Reward model, which breaks with the current system of more or less automatic periodic salary increases and a general profit-sharing scheme. Under the new system, growth in fixed salary and variable remuneration are more dependent on performance. The growth in the fixed salary depends on how well the individual does his or her job and the bonus is determined by the performance of the employee, the employee's business unit and Fortis as a whole.

In pursuit of greater synergy and to raise cost-awareness, a start was made in 2006 on setting up a joint HR Service Centre in the Netherlands for Fortis Bank and Fortis Insurance. The plan is to raise efficiency by bringing several departments, such as HR and payroll, together into a single organisation in the Netherlands. Fortis plans to extend this kind of collaboration into areas other than human resources in the future.

FTE's Total



	2006	2005	2004
Retail Banking	2,439	2,331	2,554
Commercial and Private Banking	2,985	2,841	2,583
Merchant Banking	1,955	1,813	1,711
Other Banking	2,570	2,474	2,556
FTE's Totaal	9,949	9,459	9,404

Prospects

Fortis Bank Nederland performed extremely well in 2006. Through tight cost control, dedication to meeting customer needs, improving employee satisfaction and conservative risk management, we were able to benefit from the opportunities which presented themselves in the market segments in which we operate.

The success of Fortis in the past has given us confidence to reconfirm and accelerate our strategy of growing Fortis into a leading European financial services provider with a focus on quality. Fortis Bank Nederland will continue to contribute to this strategy.

Executive Board

J.C.M. van Rutte, Chairman

F.J. van Lanschot

H.P.F.E. Bos

Getting you there

Fortis knows all about getting you there. Because prosperity also means growing, managing and safeguarding your assets.


FORTIS
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To: the Executive Board of Fortis Bank Nederland (Holding) N.V.

Auditor's statement

We have audited the financial information presented in this annual review. This information is derived from the 2006 financial statements of Fortis, which have been audited by us and on which we issued an unqualified auditors' report on 26 march 2007.

The financial information referred to above is the responsibility of the management of Fortis. Our responsibility is to express an opinion on the financial information based on our audit.

In our opinion, the financial information corresponds in all material respects with the financial statements from which it is derived. For a more comprehensive view of the financial position and results of Fortis and the scope of our audit, the financial information should be read in conjunction with the complete financial statements from which it is derived and the auditors' report we issued thereon.

Amstelveen, 26 March 2007

KPMG ACCOUNTANTS N.V.

J.J.A. van Nek RA

Fortis Bank Nederland (Holding) N.V.

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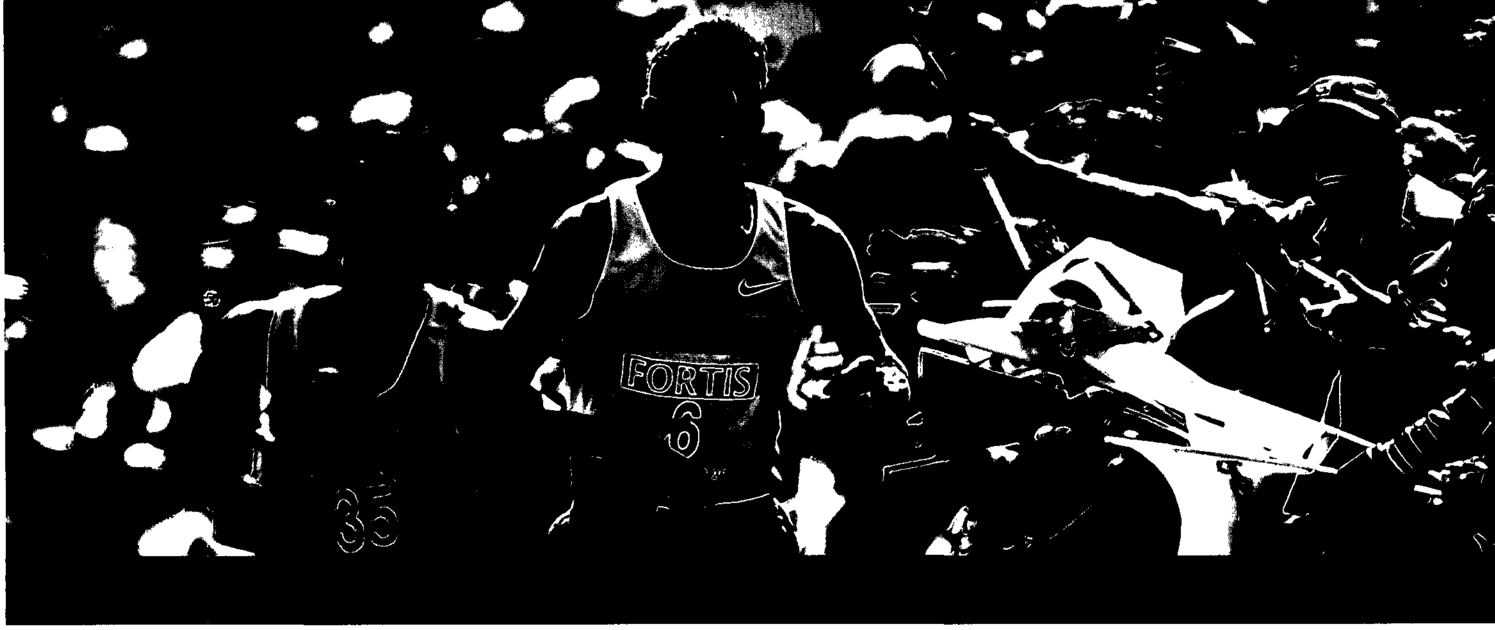

FORTIS

Financial Statements 2006

Fortis Bank Nederland (Holding) N.V.

Financial Statements
Fortis Bank Nederland (Holding) N.V.

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Financial Statements 2006

All amounts stated in the tables of these financial statements are denominated in millions of euros, unless otherwise indicated. Due to additional rounding, small differences can occur in comparison with previously reported figures.

Certain reclassifications and changes have been made to the prior period's Financial Statements of Fortis Bank Nederland (Holding) N.V. to be comparative with the current period's presentation.

The annual report of FBN(H) constitutes of two separate documents, the Annual Review 2006 and the Financial Statements 2006 (including other Information). For the report of the Executive Board regarding Fortis Bank Nederland (Holding) N.V. we refer to the Annual Review 2006 of Fortis Bank Nederland (Holding) N.V. Figures in this Annual review are derived from the Financial Statements 2006.

Consolidated balance sheet

(before appropriation of profit)

	Note	31 December 2006	31 December 2005	31 December 2004
Assets				
Cash and cash equivalents	13	22,075	13,508	20,046
Assets held for trading	14	23,393	17,004	16,270
Due from banks	15	27,071	17,263	21,655
Due from customers	16	124,038	108,775	97,524
Investments:	17			
- Held to maturity		33		
- Available for sale		3,795	6,741	7,335
- Held at fair value through profit or loss		179	153	143
- Investment property		3	4	4
- Associates and joint ventures		906	820	736
		4,916	7,718	8,218
Other receivables	18	2,920	2,641	1,082
Property and equipment	19	385	319	324
Goodwill and other intangible assets	20	228	139	86
Accrued interest and other assets	21	4,723	3,504	4,416
Total assets		209,749	170,871	169,621
Liabilities				
Liabilities held for trading	14	32,961	21,192	19,771
Due to banks	22	70,144	58,600	69,605
Due to customers	23	63,856	51,618	47,280
Debt certificates	24	25,344	19,262	18,204
Subordinated liabilities	25	2,402	2,201	1,823
Other borrowings	26	903	4,335	2,931
Provisions	27	91	132	141
Current tax liabilities	28	518	234	275
Deferred tax liabilities	28	47	16	293
Accrued interest and other liabilities	29	7,386	7,493	5,217
Total liabilities		203,652	165,083	165,540
Issued capital and reserve	3	5,910	5,613	3,915
Minority interests	4	187	175	166
Total equity		6,097	5,788	4,081
Total liabilities and equity		209,749	170,871	169,621

Consolidated income statement

	Note	2006	2005	2004
Income				
Interest income	32	13,532	8,893	7,642
Interest expense	32	(12,075)	(7,283)	(6,204)
Net Interest income		1,457	1,610	1,438
Fee and commission income	36	957	852	798
Fee and commission expense	36	(111)	(104)	(114)
Net fee and commission income		846	748	684
Dividend and other investment income	33	20	48	36
Share in result of associates and joint ventures		10	32	36
Realised capital gains (losses) on investments	34	97	161	112
Other realised and unrealised gains and losses	35	884	487	(128)
Other income		159	67	60
Total income		3,473	3,153	2,238
Change in impairments	37	(70)	(62)	(29)
Net revenues		3,403	3,091	2,209
Expenses				
Staff expenses	39	(848)	(923)	(794)
Other expenses	40	(843)	(664)	(727)
Depreciation and amortisation of tangible and intangible assets	38	(63)	(58)	(64)
Total expenses		(1,754)	(1,645)	(1,585)
Profit before taxation		1,649	1,446	624
Income tax expense	41	(472)	(377)	(189)
Net profit for the period		1,177	1,069	435
Net profit attributable to minority interests		20	20	19
Net profit attributable to shareholders		1,157	1,049	416

Consolidated statement of changes in equity

	Share Capital	Share Premium reserve	Other reserves	Currency translation reserve	Net profit attributable to shareholders	Unrealised gains and losses	Issued capital and reserve	Minority interests	Total
Balance at 31 December 2004	459	1,637	1,240	(4)	416	167	3,915	166	4,081
Net profit for the period					1,049		1,049	20	1,069
Revaluation of investments									
Foreign exchange differences				2			2	3	5
Transfer			416		(416)				
Dividend								(2)	(2)
Increase of capital	38	557					595		595
Treasury shares									
Available for sale						32	32	(1)	31
Other			18			2	20	(11)	9
Balance at 31 December 2005	497	2,194	1,674	(2)	1,049	201	5,613	175	5,788
Net profit for the period					1,157		1,157	20	1,177
Revaluation of investments									
Foreign exchange differences				(4)			(4)		(4)
Transfer			1,049		(1,049)				
Dividend			(770)				(770)	(9)	(779)
Increase of capital									
Treasury shares									
Available for sale						(84)	(84)		(84)
Other			(2)				(2)	1	(1)
Balance at 31 December 2006	497	2,194	1,951	(6)	1,157	117	5,910	187	6,097

Consolidated cash flow statement

	2006	2005	2004
Cash and cash equivalents - at 1 January	13,508	20,046	17,294
Profit before taxation	1,649	1,446	624
Adjustment to reconcile profit to cash generated by operating activities:			
Net unrealised gains (losses)	(58)	(53)	(8)
Income of associates and joint ventures (net of dividends received)	(8)	(27)	(26)
Depreciation and amortisation	148	71	84
Provisions and impairments	33	63	12
Changes in operating assets and liabilities:			
Assets and liabilities held for trading	5,704	288	(552)
Due from banks	(10,104)	4,701	(1,063)
Due from customers	(15,330)	(11,073)	(24,940)
Other receivables	(310)	(1,268)	(992)
Due to banks	11,576	(10,864)	18,368
Due to customers	12,483	3,891	6,743
Net changes in all other operational assets and liabilities	(1,410)	4,480	(1,123)
Income tax paid	23	(57)	71
Cash flow from operating activities	4,396	(8,402)	(2,802)
Investments activities within the group	(9)	(645)	(332)
Purchase of investments	(187)	(1,653)	(1,449)
Proceeds from sales and redemptions of investments	2,847	2,571	2,635
Net realised gains (losses) on sales	(113)	(141)	(113)
Proceeds from sales of investment property			2
Investments in associates and joint ventures	(184)	(59)	(295)
Proceeds from sales of associates and joint ventures	1	57	43
Purchases of property and equipment	(135)	(61)	(53)
Proceeds from sales of property and equipment	1	20	75
Acquisition of subsidiaries, net of cash acquired	(5)	(71)	92
Divestments of subsidiaries, net of cash sold	5	2	(23)
Purchase of intangible assets	(95)	(23)	(52)
Change in scope	47		
Cash flow from investing activities	2,173	(2)	528
Proceeds from the issuance of debt certificates	8,260	3,034	5,858
Payment of debt certificates	(2,184)	(1,737)	(674)
Proceeds from the issuance of subordinated liabilities	706	556	
Payment of subordinated liabilities	(509)	(179)	(22)
Proceeds from the issuance of other borrowings	394	242	890
Payment of other borrowings	(3,911)	(782)	(783)
Proceeds from the issuance of shares		595	
Dividends paid to shareholders	(779)	(3)	(13)
Repayment of capital (including minority interests)			(200)
Cash flow from financing activities	1,977	1,726	5,057
Foreign exchange differences on cash and cash equivalents	(33)	141	(32)
Cash and cash equivalents - 31 December	22,075	13,508	20,046
Supplementary disclosure of operating cash flow information			
Interest received	13,028	8,656	7,096
Dividend received	19	40	28

1. Accounting policies

1.1 General

The Fortis Bank Nederland (Holding) N.V., hereafter referred to as Fortis Bank Nederland, consolidated financial statements, including the 2005 and 2004 comparative figures, are prepared in accordance with IFRS – including International Accounting Standards ('IAS') and Interpretations – at 31 December 2006 and as adopted by the European Union. For IAS 39, Financial Instruments: Recognition and Measurement takes into account the exclusion regarding hedge accounting (the so-called 'carve-out') decided by the European Union on 19 November 2004.

Where accounting policies are not specifically mentioned below, reference should be made to the IFRS as adopted by the European Union.

1.2 Accounting estimates

The preparation of financial statements in conformity with IFRS requires the use of certain accounting estimates. It also requires management to exercise its judgment in the process of applying these accounting policies. Actual results may differ from those estimates and judgmental decisions.

Judgments and estimates are principally made in the following areas:
- estimation of the recoverable amount of impaired assets
- determination of fair values of non quoted financial instruments
- determination of the useful life and the residual value of property and equipment, investment property and intangible assets
- actuarial assumptions related to the measurement of pension obligations and assets
- estimation of present obligations resulting from past events in the recognition of provisions.

1.3 Changes in accounting policies

The accounting policies used to prepare these 2006 consolidated annual financial statements are consistent with those applied for the year ended 31 December 2005.

On 11 January 2006 the European Commission endorsed IFRS 7, Financial Instruments: Disclosures, as well as some changes to other standards. IFRS 7 will be applied by Fortis as from 1 January 2007 and will have an impact on disclosures, but not on recognition or measurement. Changes in other standards had no material impact on Fortis Bank Nederland.

On 12 January 2006 the IASB published IFRIC 8, Scope of IFRS 2 and on 1 March 2006 IFRIC 9, and Reassessment of embedded derivatives. These were endorsed by the European Commission on 8 September 2006. Neither of these had a material impact on Fortis Bank Nederland in 2006.

On 8 May 2006 the European Commission endorsed IFRIC 7, Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies, and the Amendment to IAS 21, The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation. Neither of these had a material impact on Fortis Bank Nederland in 2006.

On 20 July 2006 the IASB published IFRIC 10, Interim Financial Reporting and Impairment. This interpretation doesn't change the accounting principles of Fortis Bank Nederland.

The IASB has also published 2 IFRICs and an IFRS that are only applicable as from 2008/2009:

IFRIC 11, IFRS 2: Group and Treasury Share Transactions, published on the 2 November, applicable as from the consolidated financial statements 2008.
IFRIC 12, Service Concession Agreements, published on the 30 November, applicable as from the consolidated financial statements of 2008.
IFRS 8, Operating Segments, published on the 30 November, applicable as from the consolidated financial statements of 2009.

1.4 Segment reporting

Primary reporting format – business segments
The primary format for reporting segment information is based on business segments. Fortis Banks Nederland's reportable business segments represent groups of assets and operations engaged in providing financial products or services, which are subject to differing risks and returns.

Fortis Bank Nederland is organised on a world-wide basis into three business segments:

- Retail Banking
- Commercial & Private Banking
- Merchant Banking

Transactions or transfers between the business segments are entered into under normal commercial terms and conditions that would be available to unrelated third parties.

On 12 October 2006 Fortis announced that it will implement organisational changes to support the evolution of its growth strategy. The modified organisation will be fully operational as of 1 January 2007. Fortis Bank Nederland will start to report according to the new organisational structure as of the first half year 2007.

Secondary reporting format – geographical segments
A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environments.

Fortis Bank Nederland's reported geographical segments are as follows:
- Benelux (Belgium, The Netherlands, Luxembourg)
- Other European Countries
- Asia
- Other

1.5 Consolidation principles

Subsidiaries
The consolidated financial statements include those of Fortis Bank Nederland (Holding) N.V. (the 'Parent Company) and its subsidiaries and branches. Subsidiaries are those companies, for which Fortis Bank Nederland, directly or indirectly, has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities ('control'). Subsidiaries are consolidated from the date that effective control is transferred to Fortis Bank Nederland and are no longer consolidated from the date that control ceases. Subsidiaries acquired exclusively with the intention to be sold are accounted for as non-current assets held for sale (see note 1.21)

Fortis Bank Nederland sponsors the formation of Special Purpose Entities ('SPEs') primarily for the purpose of asset securitisation transactions, structured debt issuance, or to accomplish another narrow well defined objective. Some of the SPEs are bankruptcy-remote companies whose assets are not available to settle the claims of Fortis Bank Nederland. SPEs are consolidated if in substance they are controlled by Fortis Bank Nederland.

Intercompany transactions, balances and gains and losses on transactions between the Fortis Bank Nederland companies are eliminated. Minority interests in the net assets and net results of consolidated subsidiaries are shown separately on the balance sheet and income statement. Minority interests are stated at the fair value of the net assets at the date of acquisition. Subsequent to the date of acquisition, minority interests comprise the amount calculated at the date of acquisition and the minority's share of changes in equity since the date of acquisition.

The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether Fortis Bank Nederland controls another entity.

Joint ventures
Investments in joint ventures are accounted for using the equity method. Joint ventures are contractual agreements whereby Fortis Bank Nederland and other parties undertake an economic activity that is subject to joint control.

Associates
Investments in associates are accounted for using the equity method. These are investments where Fortis Bank Nederland has significant influence, but does not control them. The ownership share of net income for the year is recognised as investment income and the investment is recorded at Fortis' share of the net assets of the associate. Goodwill recognised from an acquisition of an associate is presented as part of the investment in the associate.

Gains on transactions between Fortis Bank Nederland and investments accounted for using the equity method are eliminated to the extent of Fortis' interest. Losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Adjustments are made to the financial statements of the associates to ensure consistent accounting policies across Fortis Bank Nederland.

Losses are recognised until the carrying amount of the investment is reduced to nil and further losses are only recognised to the extent that Fortis Bank Nederland has incurred legal or constructive obligations or made payments on behalf of an associate.

1.6 Foreign currency
The consolidated financial statements are stated in euro, which is the functional currency of Fortis Bank Nederland.

Foreign currency transactions
For individual entities of Fortis Bank Nederland, foreign currency transactions are accounted for using the exchange rate at the date of the transaction.

Outstanding balances in foreign currencies at year end are translated at year end exchange rates for monetary items.

Translation of non-monetary items depends on whether the non-monetary items are carried at historical cost or at fair value. Non-monetary items carried at historical cost are translated using the historical exchange rate that existed at the date of the transaction.

Non-monetary items that are carried at fair value are translated using the exchange rate on the date that the fair values are determined.

The resulting exchange differences are recorded in the income statement as foreign currency gains (losses) except for those non-monetary items whose fair value change is recorded as a component of equity.

The distinction between exchange differences (recognised in the income statement) and unrealised fair value results (recognised in equity) on available-for-sale financial assets is determined according to the following rules:

- the exchange differences are determined based on the evolution of the exchange rate calculated on the previous balances in foreign currency, and
- the unrealised (fair value) results are determined based on the difference between the balances in euros of the previous and the new period, converted at the new exchange rate.

Foreign currency translation
On consolidation, the income statement and cash flow statement of entities whose functional currency is not denominated in euros are translated into the presentation currency of Fortis Bank Nederland, euros, at average daily exchange rates for the current year (or exceptionally at exchange rate at the date of the transaction if exchange rates fluctuate significantly) and their balance sheets are translated using the exchange rates prevailing at the balance sheet date. Translation exchange differences are recognised in equity under the heading 'Translation differences'.

Exchange differences arising on monetary items that are part of a net investment in a foreign entity are recorded in equity (heading 'Translation differences') in the consolidated financial statements, until the disposal of the net investment.

Exchange differences arising on borrowings and other currency instruments designated as hedges of such investments are also recorded in equity (heading 'Translation differences'), except for any hedge ineffectiveness that is immediately recognised in the income statement. On disposal of a foreign entity, such exchange differences are recognised in the income statement as part of the gain or loss on the sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing exchange rate on the balance sheet date. All resulting differences are recognised in equity under the heading "Translation differences" until disposal of the foreign entity when a recycling to profit or loss takes place.

			Rates at year end			Average rates
	2006	2005	2004	2006	2005	2004
1 euro=						
Pound sterling	0.67	0.69	0.71	0.68	0.68	0.68
US dollar	1.32	1.18	1.36	1.26	1.24	1.24

1.7 Trade and settlement date

All purchases and sales of financial assets requiring delivery within the time frame established by regulation or market convention are recognised on the trade date, which is the date when Fortis Bank Nederland becomes a party to the contractual provisions of the financial assets.

Forward purchases and sales other than those requiring delivery within the time frame established by regulation or market convention are recognised as derivative forward transactions until settlement.

1.8 Offsetting

Financial assets and liabilities are offset and the net amount reported on the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

1.9 Classification and measurement of financial assets and liabilities

Fortis Bank Nederland classifies financial assets and liabilities based on the business purpose of entering into these transactions.

Financial assets

Consequently, financial assets are classified as assets held for trading, investments, due from banks and due from customers.

The measurement and income recognition in the income statement depend on the IFRS classification of the financial assets being: (a) loans and receivables; (b) held-to-maturity investments; (c) financial assets at fair value through profit or loss and (d) available-for-sale financial assets. This IFRS classification determines the measurement and recognition as follows:

a) Loans and receivables are initially measured at fair value (including transaction costs), and subsequently measured at amortised cost using the effective interest method, with the periodic amortisation in the income statement.
b) Held-to-maturity investments consist of instruments with fixed or determinable payments and fixed maturity for which the positive intent and ability to hold to maturity is demonstrated. They are initially measured at fair value (including transaction costs), and subsequently measured at amortised cost using the effective interest method, with the periodic amortisation recorded in the income statement.
c) Financial assets at fair value through profit or loss include:
   (i) financial assets held for trading, including derivative instruments that do not qualify for hedge accounting, and
   (ii) financial assets that Fortis Bank Nederland has irrevocably designated at initial recognition or first-time adoption of IFRS as held at fair value through profit or loss, because
- the host contract includes an embedded derivative that would otherwise require separation, or
- it eliminates or significantly reduces a measurement or recognition inconsistency ('accounting mismatch"), or
- it relates to a portfolio of financial assets and/or liabilities that are managed and evaluated on a fair value basis.

d) Available-for-sale financial assets are those that are otherwise not classified as loans and receivables, held-to-maturity investments, or financial assets designated at fair value through profit or loss. Available-for-sale financial assets are initially measured at fair value (including transaction costs), and are subsequently measured at fair value with unrealised gains or losses from fair value changes reported in equity.

Financial liabilities

Financial liabilities are classified as liabilities held for trading, due to banks, due to customers, debt certificates, subordinated liabilities and other borrowings.

The measurement and recognition in the income statement depend on the IFRS classification of the financial liabilities being: (a) financial liabilities at fair value through profit or loss, and (b) other financial liabilities. This IFRS classification determines the measurement and recognition in the income statement as follows:

a) Financial liabilities at fair value through profit or loss include:
   (i) financial liabilities held for trading, including derivative instruments that do not qualify for hedge accounting, and
   (ii) financial liabilities that Fortis Bank Nederland has irrevocably designated at initial recognition or first-time adoption of IFRS as held at fair value through profit or loss, because
- the host contract includes an embedded derivative that would otherwise require separation, or
- it eliminates or significantly reduces a measurement or recognition inconsistency ('accounting mismatch"), or
- it relates to a portfolio of financial assets and/or liabilities that are managed and evaluated on a fair value basis.

b) Other financial liabilities are initially recognised at fair value (including transaction costs), and subsequently measured at amortised cost using the effective interest method, with the periodic amortisation recorded in the income statement.

1.10 Fair value of financial instruments

The fair value of a financial instrument is determined based on quoted prices in active markets. When quoted prices in active markets are not available, valuation techniques are used. Valuation techniques make maximum use of market inputs but are affected by the assumptions used, including discount rates and estimates of future cash flows. Such techniques include market prices of comparable investments, discounted cash flows, option pricing models and market multiples valuation methods. In the rare case where it is not possible to determine the fair value of a financial instrument, it is accounted for at cost.

On initial recognition, the fair value of a financial instrument is the transaction price, unless the fair value is evidenced by observable current market transactions in the same instrument, or is based on a valuation technique that includes inputs only from observable markets.

The principal methods and assumptions used by Fortis Bank Nederland in determining the fair value of financial instruments are:

- Fair values for securities available for sale or at fair value through profit or loss are determined using market prices from active markets. If no quoted prices are available from an active market, the fair value is determined using discounted cash flow models. Discount factors are based on the swap curve plus a spread reflecting the characteristics of the instrument. Fair values for securities held to maturity (only necessary for disclosures) are determined in the same way.
- Fair values for derivative financial instruments are obtained from active markets or determined using, as appropriate, discounted cash flow models and option pricing models.
- Fair values for unquoted private equity investments are estimated using applicable market multiples (e.g. price/earnings or price/cash flow ratios) refined to reflect the specific circumstances of the issuer.
- Fair values for loans are determined using discounted cash flow models based upon Fortis Bank Nederland's current incremental lending rates for similar type loans. For variable-rate loans that reprice frequently and have no significant change in credit risk, fair values are approximated by the carrying amount. Option pricing models are used for valuing caps and prepayment options embedded in loans that according to IFRS have been separated.

- Off-balance sheet commitments or guarantees are fair value based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties' credit standings.
- The carrying amounts are considered to approximate fair values for other financial assets and liabilities, such as short-term payables and receivables.

1.11 Measurement of impaired assets

An asset is impaired when its carrying amount exceeds its recoverable amount. Fortis Bank Nederland reviews all of its assets at each reporting date for indicators of impairment.

The carrying amount of impaired assets is reduced to its estimated recoverable amount and the amount of the change in the current year provision is recognised in the income statement. Recoveries, and write-offs are included in the income statement as part of change in provisions for impairment.
If in a subsequent period, the amount of the impairment on assets other than goodwill or available-for-sale equity instruments decreases, due to an event occurring after the write-down, the amount is reversed by adjusting the impairment and is recognised in the income statement.

Financial assets

A financial asset (or group of financial assets) is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event (or events) has an impact on the estimated future cash flows of the financial asset (or group of financial assets) that can be reliably estimated.

For equity securities, the trigger used to determine whether there is objective evidence of impairment include amongst others the consideration whether the fair value is substantially below cost at the balance sheet date, or has been below cost for a prolonged period at the balance sheet date.

Depending on the type of financial asset, the recoverable amount can be estimated as follows:
- the fair value using an observable market price
- present value of expected future cash flows discounted at the instrument's original effective interest rate (for financial assets carried at amortised cost), or
- based on the fair value of the collateral.

Impairments to available-for-sale equity instruments cannot be reversed through the income statement in subsequent periods.

Other assets

For non-financial assets, the recoverable amount is measured as the higher of the fair value less cost to sell and the value in use. Fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, after deducting any direct incremental disposal costs. Value in use is the present value of estimated future cash flows expected to arise from continuing use of an asset and from its disposal at the end of its useful life.

Goodwill

See note 1.20: Goodwill and other intangible assets.

1.12 Cash and cash equivalents

Content

Cash and cash equivalents comprise cash on hand, freely available balances with central banks and other financial instruments with less than three months maturity from the date of acquisition.

Cash flow statement

Fortis Bank Nederland reports cash flows from operating activities using the indirect method, whereby the net result is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.

Interest received and interest paid is presented as cash flows from operating activities in the cash flow statement. Dividends received are classified as cash flows from operating activities. Dividends paid are classified as cash flows from financing activities.

1.13 Due from banks and due from customers

Classification

Due from banks and due from customers include loans originated by Fortis Bank Nederland by providing money directly to the borrower or to a sub-participation agent and loans purchased from third parties that are carried at amortised cost. Debt securities acquired on the primary market directly from the issuer are recorded as loans, provided there is no active market for those securities. Loans that are originated or purchased with the intention to be sold or securitised in the short-term are classified as assets held for trading. Loans that are designated as held at fair value through profit or loss or available for sale are classified as such at initial recognition or upon first-time adoption of IFRS.

Measurement

Incremental costs incurred and loan origination fees earned in securing a loan are deferred and amortised over the life of the loan as an adjustment to the yield.

Impairment

A credit risk for specific loan impairment is established if there is objective evidence that Fortis Bank Nederland will not be able to collect all amounts due in accordance with contractual terms. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows or, alternatively, the collateral value less costs to sell if the loan is secured.

An 'incurred but not reported' (IBNR) impairment on loans is recorded when there is objective evidence that incurred losses are present in components of the loan portfolio, without having specifically identified impaired loans. This impairment is estimated based upon historical patterns of losses in each component, reflecting the current economic climate in which the borrowers operate and taking into account the risk of difficulties in servicing external debt in some foreign countries based on an assessment of the political and economic situation.

Impairments are recorded as a decrease in the carrying value of due from banks and due from customers.

When a specific loan is identified as uncollectible and all legal and procedural actions have been exhausted, the loan is written off against the related charge for impairment; subsequent recoveries are credited to change in provisions for impairment in the income statement.

1.14 Sale and repurchase agreements and lending/borrowing securities

Securities subject to a repurchase agreement ('repos') are not derecognised from the balance sheet. The liability resulting from the obligation to repurchase the assets is included in due to banks or due to customers depending on the type of counterparty. Securities purchased under agreements to resell ('reverse repos') are not recognised on the balance sheet. The right to receive cash from the counterparty is recorded as due from banks or due from customers depending on the type of counterparty. The difference between the sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

Securities lent to counterparties remain on the balance sheet. Similarly, securities borrowed are not recognised on the consolidated financial statements. If borrowed securities are sold to third parties; the proceeds from the sale and a liability for the obligation to return the collateral are recorded. The obligation to return the collateral is measured at fair value through profit or loss and is classified as a liability held for trading. Cash advanced or received related to securities borrowing or lending transactions is recorded as due from banks/due from customers or due to banks/due to customers.

1.15 Assets and liabilities held for trading

A financial asset or financial liability is classified as held for trading if it is:
- acquired or incurred principally for the purpose of selling or repurchasing it in the near future, or
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking, or
- a derivative (except for a derivative that is a designated and effective hedging instrument).

Assets and liabilities held for trading are initially recognised and subsequently measured at fair value through profit or loss. The (realised and unrealised) results are included in 'Other realised and unrealised gains and losses'. Interest received (paid) on assets (liabilities) held for trading is reported as interest income (expense). Dividends received are included in investment income.

1.16 Investments

Management determines the appropriate classification of its investment securities at the time of the purchase. Investment securities with a fixed maturity where management has both the intent and the ability to hold to maturity are classified as held to maturity. Investment securities to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices, are classified as available for sale. Investment securities that are acquired for the purpose of generating short-term profits are considered to be held for trading. Any investment, other than investments in equity instruments without a quoted market price in an active market, may be designated on initial recognition as a financial instrument at fair value through profit or loss. Once an asset has been designated as held at fair value through profit or loss it cannot be transferred to a different category.

Held-to-maturity investments are carried at amortised cost less any impairment changes. Any difference between the initial recognition amount resulting from transaction costs, initial premiums or discounts is amortised over the life of the investment using the effective interest method. If a held-to-maturity investment is determined to be impaired, the impairment is recognised in the income statement.

Available-for-sale investment securities are held at fair value. Changes in the fair value are recognised directly in equity until the asset is sold unless the asset is hedged by a derivative. If an investment is determined to be impaired, the impairment is recognised in the income statement. For impaired available-for-sale investments, unrealised losses previously recognised in equity are transferred to the income statement when the impairment occurs.

If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment was recognised in the income statement, the impairment is reversed, with the amount of the reversal recognised in the income statement. Impairments recognised in the income statement for an investment in an equity instrument classified as available for sale are reversed through equity.

Available-for-sale investment securities that are hedged by a derivative are carried at fair value through profit or loss for the part attributable to the hedged risk and through equity for the remaining part.
Held for trading assets and assets designated as held at fair value through profit or loss are carried at fair value. Changes in the fair value are recognised in the income statement.

Investment property

Investment properties are those properties held to earn rental income or for capital appreciation. Fortis Bank Nederland may also use certain investment properties for its own use. If the own use portions can be sold separately or leased out separately under a finance lease, these portions are accounted for as property and equipment. If the own use portions could not be sold separately, the property is treated as investment property only if Fortis Bank Nederland holds an insignificant portion for its own use.

Investment property is measured at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated using the straight-line method to write down the cost of such assets to their residual values over their estimated useful lives. The residual value and the useful life of investment property are determined for each significant part separately (component approach) and are reviewed at each year end.

Fortis Bank Nederland rents its investment property to unrelated third parties under various non-cancellable rental contracts. Certain contracts contain renewal options for various periods of time; the rental income associated with these contracts is recognised on a straight-line basis over the rental term as investment income.

Transfers to, or from, investment property are only made when there is a change of use:
into investment property at the end of owner-occupation, or at the start of an operating lease to a another party, or at the end of construction or development property at the commencement of owner-occupation, or start of development with a view to sale.

1.17 Leases

Fortis Bank Nederland as a lessor

Assets leased under operating leases are included in the consolidated balance sheet (1) under investment property (buildings), and (2) under property and equipment (equipment and motor vehicles). They are recorded at cost less accumulated depreciation. Rental income, net of any incentives given to lessees, is recognised on a straight-line basis over the lease term. Initial direct costs incurred by Fortis Bank Nederland are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the rental income.
Fortis Bank Nederland has also entered into finance leases, in which substantially all the risks and rewards related to ownership of the leased asset, other than legal title, are transferred to the customer.

When assets held are subject to a finance lease, the present value of the lease payments and any guaranteed residual value are recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease interest income is recognised over the term of the lease based on a pattern reflecting a constant periodic rate of return on the net investment outstanding in respect of finance leases. Initial direct costs incurred by are included in the finance lease receivable and allocated against lease interest income over the lease term.

Fortis Bank Nederland as a lessee

Fortis Bank Nederland principally enters into operating leases for the rental of equipment and land and buildings. Payments made under such leases are typically charged to the income statement principally on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Any incentives received from the lessor in relation to operating leases are recognised as a reduction of rental expense over the lease term on a straight-line basis.

If the lease agreement transfers substantially all the risk and rewards incident to ownership of the asset, the lease is recorded as a finance lease and the related asset is capitalised. At inception, the asset is recorded at the lower of the present value of the minimum lease payments or fair value and depreciated over the shorter of its estimated useful life or the lease term. The corresponding lease obligation, net of finance charges, is recorded as borrowings. The interest element of the finance cost is charged to the income statement over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the obligation for each period.

1.18 Other receivables

Other receivables

Other receivables arising from the normal course of business and originated by Fortis Bank Nederland are initially recorded at fair value and subsequently measured at amortised cost using the effective interest method, less any accumulated impairment losses.

1.19 Property and equipment

All real estate held for own use and fixed assets are stated at cost less accumulated depreciation (except for land that is not depreciated) and any accumulated impairment losses. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction. Generally, depreciation is calculated on the straight-line method to write down the cost of such assets to their residual values over their estimated useful lives. The residual value and the useful life of property and equipment are determined for each significant part separately (component approach) and are reviewed at each year end.

Repairs and maintenance expenses are charged to the income statement when the expenditure is incurred. Expenditures that enhance or extend the benefits of real estate or fixed assets beyond their original use are capitalised and subsequently depreciated.

Borrowing costs to finance the construction of property and equipment: see note 1.32 'Borrowing costs'.

1.20 Goodwill and other intangible assets

Goodwill

Acquisitions of companies are accounted for using the purchase method of accounting. Goodwill represents the excess of the fair value of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the business combination, over the Fortis Bank Nederland's interest in the fair value of assets acquired and liabilities and contingent liabilities assumed. Goodwill arising on the acquisition of a subsidiary is reported on the balance sheet as an intangible asset. Goodwill arising on business combinations before 1 January 2004 is deducted from equity and is not restated under IFRS. At acquisition date, it is allocated to those cash generating units that are expected to benefit from the synergies of the business combination. It is not amortised, but instead is tested for impairment. Goodwill arising on the acquisition of an associate is presented as part of the investment in the associate.

Any excess of the acquired interest in the net fair value of the acquirer's assets, liabilities and contingent liabilities over the acquisition cost is recognised immediately in the income statement.

Fortis Bank Nederland assesses the carrying value of goodwill annually or, more frequently, if events or changes in circumstances indicate that such carrying value may not be recoverable. If such indication exists, the recoverable amount is determined for the cash-generating unit to which goodwill belongs. This amount is then compared to the carrying amount of the cash-generating unit and an impairment loss is recognised if the recoverable amount is less than the carrying amount. Impairment losses are recognised immediately in the income statement.
Fortis Bank Nederland first reduces the carrying amount of goodwill allocated to the cash generating unit and then reduces the other assets in the cash generating unit pro rata on the basis of the carrying amount of each asset in the cash generating unit. Previously recognised impairment losses relating to goodwill are not reversed.

Fortis Bank Nederland may obtain control of a subsidiary in more than one transaction. When this occurs, each exchange transaction is treated separately. The cost of each transaction is compared to the fair value of each transaction to determine the amount of goodwill associated with that individual transaction. Before Fortis Bank Nederland obtains control of the entity, the transaction may qualify as an investment in an associate and be accounted for using the equity method. If so, the fair value of the investee's identifiable net assets at the date of each earlier transaction will have been determined in applying the equity method to the investment.

Intangible assets

An intangible asset is an identifiable non-monetary asset and is recognised at cost if and only if it will generate future economic benefits and if the cost of the asset can be measured reliably.

Internally generated intangible assets are capitalised when Fortis Bank Nederland can demonstrate all of the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale
- its intention to complete the intangible asset and use or sell it
- its ability to use or sell the intangible asset
- how the intangible asset will generate probable future economic benefits
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets arising from research and internally generated goodwill are not capitalised.
Software for computer hardware that cannot operate without that specific software, such as the operating system, is an integral part of the related hardware and it is treated as property and equipment. When the software is not an integral part of the related hardware, the costs incurred during the development phase for which Fortis Bank Nederland can demonstrate all of the above mentioned criteria are capitalised as an intangible asset and amortised using the straight-line method over the estimated useful life.

Other intangible assets include intangible assets with definite lives, such as trademarks and licenses that are generally amortised over their useful lives using the straight-line method. Indefinite lived intangibles, which are not amortised, are instead tested for impairment at least annually. Any impairment loss identified is recognised in the income statement. Intangibles are recorded on the balance sheet at cost less any accumulated amortisation and any accumulated impairment losses. The residual value and the useful life of intangible fixed assets are reviewed at each year end.

Intangible assets with finite lives are reviewed at each reporting date for indicators of impairment.

Indefinite lived intangibles, which are not amortised, are instead tested for impairment at least annually. Any impairment loss identified is recognised in the income statement. Intangibles are recorded on the balance sheet at cost less any accumulated amortisation and any accumulated impairment losses. The residual value and the useful life of intangible assets are reviewed at each year end.

1.21 Non-current assets held for sale and discontinued operations

Non-current assets or a group of assets and liabilities are those for which Fortis Bank Nederland will recover the carrying amount from a sale transaction that is expected to qualify as a sale within a year, instead of through continuing use.

A discontinued operation is a part of Fortis Bank Nederland that has been disposed of or is classified as held for sale and meets the following criteria:
- represents a separate major line of business or geographical area of operations
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or
- is a subsidiary acquired exclusively with a view to resale.

Non-current assets held for sale (and disposal groups) are not depreciated but measured at the lower of its carrying amount and fair value less costs to sell, and are separately presented on the balance sheet.

Results on discontinued operations are presented separately in the income statement.

1.22 Derivative financial instruments and hedging

Recognition and classification
Derivatives are financial instruments such as swaps, forward and future contracts, options (both written and purchased). These financial instruments have values that change in response to changes in various underlying variables, require little or no net initial investment, and are settled at a future date.

All derivatives are recognised on the balance sheet at fair value on the trade date:
- derivatives held for trading in 'Assets held for trading' and 'Liabilities held for trading'
- derivatives that qualify for hedge accounting in 'Accrued interest and other assets' and 'Accrued interest and other liabilities'.

Subsequent changes in the clean fair value (i.e. excluding the interest accruals) of derivatives are reported in the income statement under 'Other realised and unrealised gains and losses'.

Financial assets or liabilities can include embedded derivatives. Such financial instruments are often referred to as hybrid financial instruments. Hybrid financial instruments include reverse convertible bonds (bonds whose repayment may take the form of equities) or bonds with indexed interest payments. If the host contract is not carried at fair value through profit or loss and the characteristics and risks of the embedded derivative are not closely related to those of the host contract, the embedded derivative should be separated from the host contract and measured at fair value as a stand alone derivative. Changes in the fair value are recorded in the income statement. The host contract is accounted for and measured applying the rules of the relevant category of the financial instrument.

However, if the host contract is carried at fair value through profit or loss or if the characteristics and risks of the embedded derivative are closely linked to those of the host contract, the embedded derivative is not separated and the hybrid financial instrument is measured as one instrument.

Embedded derivatives requiring separation are reported as hedging derivatives or derivatives held for trading as appropriate.

Hedging

On the date a derivative contract is entered into, Fortis Bank Nederland may designate this contract as either (1) a hedge of the fair value of a recognised asset or liability (fair value hedge); (2) a hedge of a net investment in a foreign entity or; (3) a hedge of a future cash flow attributable to a recognised asset or liability or a forecasted transaction (cash flow hedge). Hedges of firm commitments are fair value hedges, except for hedges of foreign exchange risk which are accounted for as cash flow hedges.

Fortis Bank Nederland documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. Fortis Bank Nederland also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Only assets, liabilities, firm commitments or highly probable forecast transactions that involve a party external to Fortis Bank Nederland are designated as hedged items.

The change in fair value of a hedged asset or liability that is attributable to the hedged risk and the change in the fair value of the hedging instrument in a fair value hedge are recognised in the income statement. The change in the fair value of interest bearing derivative instruments is presented separately from interest accruals.

If the hedge no longer meets the criteria for hedge accounting or is otherwise discontinued, the adjustment to the carrying amount of a hedged interest-bearing financial instrument that results from hedge accounting is amortised using the new effective interest rate calculated on the hedge discontinuance date.

Fair value hedge accounting is applied as from 1 January 2005 for portfolio hedges of interest rate risk ('macro hedging'). Macro hedging implies that a group of derivatives (or proportions) are viewed in combination and jointly designated as the hedging instrument. Although the portfolio may, for risk management purposes, include assets and liabilities, the amount designated is an amount of assets or an amount of liabilities. In this context, the starting difference between the fair value and the carrying value of the hedged item at designation of the hedging relationship is amortised over the remaining life of the hedged item. For macro hedges, Fortis Bank Nederland uses the 'carved out' version of IAS 39 adopted by the European Union which removes some of the limitations on fair value hedges and the strict requirements on the effectiveness of those hedges. Under this version, the impact of the changes in the estimates of the repricing dates is only considered ineffective if it leads to underhedging.

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity under the caption 'Unrealised gains and losses'. Any hedge ineffectiveness is immediately recognised in the income statement.

When the hedge of a forecasted transaction or firm commitment results in the recognition of a non-financial asset or of a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of that non-financial asset or liability. Otherwise, amounts deferred in equity are transferred to the income statement and classified as profit or loss in the periods during which the hedged firm commitment or forecasted transaction affects the income statement.

For net investment hedges refer to chapter 1.6 Foreign Currencies.

1.23 Securitisations

Fortis Bank Nederland securitises various consumer and commercial financial assets. These securitisations may take the form of a sale of the related assets or a credit risk transfer through the use of funded credit derivatives to special purpose companies. These special purpose companies then issue various security tranches to investors. The financial assets included in a securitisation are fully or partially derecognised when Fortis Bank Nederland transfers substantially all risks and rewards of the assets or portions thereof or when Fortis Bank Nederland transfers nor retains substantially all risks and rewards but does not retain control over the financial assets transferred.

1.24 Debt certificates, subordinated liabilities and other borrowings

Debt certificates, subordinated liabilities and other borrowings are initially recognised at fair value net of direct transaction costs incurred. Subsequently, they are measured at amortised cost and any difference between net proceeds and the redemption value is recognised in the income statement over the period of the borrowing using the effective interest method.

Preference shares, which carry a mandatory coupon, or are redeemable on a specific date or at the option of the shareholder, including those preferred shares that establish such a contractual obligation indirectly through their terms and conditions are classified as borrowings. The dividends on these preference shares are recognised in the income statement as interest expense on an amortised cost basis using the effective interest method.

In determining whether preference shares are classified as a financial liability or as an equity instrument, Fortis Bank Nederland assesses the particular rights attaching to the shares to determine whether they exhibit the fundamental characteristic of a financial liability

If Fortis Bank Nederland purchases its own debt, it is removed from the balance sheet and the difference between the carrying amount of the liability and the consideration paid is included in the income statement

1.25 Employee benefits

Pension liabilities
Fortis Bank Nederland operates a number of defined benefit and defined contribution plans throughout its global activities, in accordance with local conditions or industry practices. The pension plans are generally funded through payments to insurance companies or trustee administered plans, determined by periodic actuarial calculations.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependant on one or more factors such as age and years of service. A defined contribution plan is a pension plan under which Fortis Bank Nederland pays fixed contributions. Fortis Bank Nederland has no legal or constructive obligations to pay further contributions if the assets are not sufficient to pay all employees the benefits relating to employee service in the current and prior periods.

At least annually qualified actuaries calculate the pension assets and liabilities.

For defined benefit plans, the pension costs and related pension asset or liability are estimated using the projected unit credit method. This method sees each period of service as giving right to an additional unit of benefit entitlement and measures each unit separately to build up the final liability. Under this method, the cost of providing these benefits is charged to the income statement to spread the pension cost over the service lives of employees. The pension liability is measured at the present value of the estimated future cash outflows using interest rates determined by reference to market yields on high quality corporate bonds that have terms to maturity approximating the terms of the related liability. Net cumulative unrecognised actuarial gains and losses for defined benefit plans exceeding the corridor (greater of 10% of the present value of the defined benefit obligation or 10% of the fair value of any plan assets) are recognised in the income statement over the average remaining service lives of the employees.

Past-service costs are recognised immediately in the income statement, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

The assets, which support the pension liabilities of an entity, must meet certain criteria in order to be classified as 'qualifying pension plan assets'. These criteria relate to the fact that the assets should be legally separate from Fortis Bank Nederland or its creditors. If these criteria are not met, then the assets will be included in the relevant caption on the balance sheet (such as investments, property and equipment, etc.). If the assets meet the criteria, they are netted against the pension liability.

When the fair value of the plan assets is netted against the present value of the obligation of a defined benefit plan, the resulting amount is either negative (a liability) or positive (an asset). In case of an asset, the recognised asset cannot exceed the total of any cumulative unrecognised net actuarial losses and past service costs, and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Benefit plans that provide long-term service benefits, but are not pension plans, are measured at present value using the projected unit credit method.

Fortis Bank Nederland's contributions to defined contribution pension plans are charged to the income statement in the year to which they relate.

Other post-retirement liabilities

Some of the Fortis Bank Nederland companies provide post-retirement employee benefits to retirees such as preferential interest rate loans and health care insurance. The entitlement to these benefits is usually based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment, using a methodology similar to that for defined benefit pension plans. These liabilities are determined based on actuarial calculations.

Equity compensation benefits (or equity participation plans)

Share options and restricted shares are granted to directors and to employees for services received. All option and share plans are equity settled in accordance with IFRIC 11

Loans granted at preferential rates

Loans are sometimes provided to employees at a rate of interest lower than the market rate. The terms of the loans granted at preferential rates state that employees lose the benefit of receiving a preferential rate upon terminating employment, and the interest rate on the loan would be adjusted to the current market rate. However, some entities of Fortis Bank Nederland allow employees to maintain the preferential rate subsequent to retirement from Fortis Bank Nederland.

For the first category, the difference between the net present value of the loans at preferential rate and the net present value at the prevailing market rate is recognised in the balance sheet as a deferred compensation expense and recorded in operating and administrative expenses over the period that the employee obtains the benefit. As a counterpart, interest income is corrected to show the loans at market rate.

When loans continue after retirement and the (ex) employees continue to benefit from preferential rates due to their past service at Fortis Bank Nederland, this benefit is taken into account for the determination of the post-retirement benefits other than pensions.

Employee entitlements
Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the balance sheet date.

1.26 Provisions, contingencies, commitments and financial guarantees

Provisions
Provisions are liabilities with uncertainties in the amount or timing of payments. Provisions are recognised if there is a present obligation to transfer economic benefits, such as cash flows, as a result of past events and a reliable estimate can be made at the balance sheet date. Provisions are established for certain guarantee contracts for which Fortis Bank Nederland is responsible to pay upon default of payment. Provisions are estimated based on all relevant factors and information existing at the balance sheet date, and typically are discounted at the risk free rate.

Contingencies
Contingencies are those uncertainties where an amount cannot be reasonably estimated or when it is not probable that payment will be required to settle the obligation.

Commitments
Loan commitments that allow for draw down of a loan within the timeframe generally established by regulation or convention in the market place are not recognised as derivative financial instruments. A loan commitment that is designated as at fair value through profit or loss or where Fortis Bank Nederland has a past practice of selling the assets resulting from its loan commitments are recognised on the balance sheet at fair value with the resulting change recognised in the income statement. Acceptances comprise undertakings by Fortis Bank Nederland to pay bills of exchange drawn on customers. Fortis Bank Nederland expects most acceptances to be settled simultaneously with the reimbursement from the customers. Acceptances are not recognised in the balance sheet and are disclosed as commitments.

Financial guarantees
Financial guarantee contracts that require payments to be made in response to changes in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract, are accounted for as derivatives.
Financial guarantee contracts requiring Fortis Bank Nederland to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due are accounted for as insurance contracts if significant insurance risk is transferred to Fortis Bank Nederland.

1.27 Equity

Share capital and treasury shares

Share issue costs
Incremental costs directly attributable to the issue of new shares or share options, other than on a business combination, are deducted from equity net of any related income taxes.

Preference shares
Preference shares which are non-redeemable and upon which dividends are declared at the discretion of the directors are classified as equity.

Compound financial instruments
Components of compound financial instruments (liability and equity parts) are classified in their respective area of the balance sheet.

Other equity components
Other elements recorded in equity are related to:
- first-time adoption IFRS at 1 January 2005
- foreign currency (see 1.6)
- available-for-sale investments (see 1.16)
- cash flow hedges (see 1.22)

1.28 Interest income and expense

Interest income and interest expense are recognised in the income statement for all interest bearing instruments (whether classified as held to maturity, available for sale, held at fair value through profit or loss or derivatives) on an accrual basis using the effective interest method based on the actual purchase price including direct transaction costs. Interest income includes coupons earned on fixed and floating rate income instruments and the accretion or amortisation of the discount or premium.

Once a financial asset has been written down to its estimated recoverable amount, interest income is thereafter recognised based on the effective interest rate that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

1.29 Realised and unrealised gains and losses

For financial instruments classified as available for sale, realised gains or losses on sales and divestments represent the difference between the proceeds received and the initial book value of the asset or liability sold, minus any impairment losses recognised in the income statement after adjusting for the impact of any fair value hedge accounting adjustments. Realised gains and losses on sales are included in the income statement in the caption 'Other realised and unrealised gains and losses'.
For financial instruments carried at fair value through profit or loss, the difference between the carrying value at the end of the current reporting period and the previous reporting period is included in trading income.
For derivatives, the difference between the carrying clean fair value (i.e. excluding the unrealised portion of the interest accruals) at the end of the current reporting period and the previous reporting period is included in 'Other realised and unrealised gains and losses'.

Previously recognised unrealised gains and losses recorded directly into equity are transferred to the income statement upon derecognition or upon the financial asset becoming impaired.

1.30 Fees and commission income

Fees that are an integral part of the effective interest rate of a financial instrument are generally treated as an adjustment to the effective interest rate. This is the case for origination fees, received as compensation for activities such as evaluating the borrower's financial condition, evaluating and recording guarantees, etc., and also for origination fees received on issuing financial liabilities measured at amortised cost. Both types of fees are deferred and recognised as an adjustment to the effective interest rate. However, when the financial instrument is measured at fair value through profit or loss, the fees are recognised as revenue when the instrument is initially recognised.

Fees are generally recognised as revenue as the services are provided. If it is unlikely that a specific lending arrangement will be entered into and the loan commitment is not considered a derivative, the commitment fee is recognised as revenue on a time proportion basis over the commitment period.

Fees arising from negotiating, or participating in the negotiation of a transaction for a third party, are recognised upon completion of the underlying transaction. Commission revenue is recognised when the performance obligation is complete.

Loan syndication fees are recognised as revenue when the syndication has been completed.

1.31 Transaction costs

Transaction costs are included in the initial measurement of financial assets and liabilities other than those measured at fair value through profit or loss. Transaction costs refer to incremental costs directly attributable to the acquisition or disposal of a financial asset or liability. They include fees and commissions paid to agents, advisers, brokers and dealers levies by regulatory agencies and securities exchanges, and transfer taxes and duties.

1.32 Borrowing costs

Borrowing costs are generally expensed as incurred. Borrowing costs that are directly attributable to the acquisition or construction of an asset are capitalised while the asset is being constructed as part of the cost of that asset. Capitalisation of borrowing costs should commence when:
- expenditures for the asset and borrowing costs are being incurred and
- activities necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation ceases when the asset is substantially ready for its intended use or sale. If active development is interrupted for an extended period, capitalisation is suspended. Where construction occurs piecemeal and use of each part is possible as construction continues, capitalisation for each part ceases on substantial completion of that part. For borrowing associated with a specific asset, the actual rate on that borrowing is used. Otherwise, a weighted average cost of borrowings is used.

1.33 Income tax expense

Income tax payable on profits is recognised as an expense based on the applicable tax laws in each jurisdiction in the period in which profits arise.

Deferred tax is provided in full, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. The tax-rate used to determine the deferred taxes in the balance sheet is the tax-rate in effect at the moment the temporary difference no longer prevails
Deferred tax assets on income tax losses are recognised to the extent that it is probable that sufficient future taxable profit will be available to allow the benefit of part or the entire deferred tax asset to be utilised.

Current and deferred tax related to fair value re-measurement of available-for-sale investments and cash flow hedges which are charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recognised in the income statement together with the deferred gain or loss.

2. Acquisitions and divestments

The following major acquisitions and divestments were made in 2006 and 2005.

2.1 Atradius' factoring activities

On 30 October 2005 Fortis Bank Nederland (Holding) N.V. – acquired through Fortis Commercial Finance Holding N.V. Atradius' factoring activities with operations in Denmark, France, Germany, Italy and Sweden. The cost price was EUR 63.6 million.

The impact of the acquisition of Atradius' factoring activities on Fortis Bank Nederland's consolidated balance sheet is as follows:

Assets			Liabilities	
Other receivables	268		Due to customers	26
Property and equipment	1		Due to banks	176
Other assets	4		Factoring to customers	27
Intangibles	36		Other liabilities	17
			Total liabilities	**246**
			Minority interests	
			Cost price	63
Total assets	**309**		**Total liabilities and minority interests**	**309**

An amount of EUR 36 million for goodwill was recognised in the balance sheet upon acquisition and included in goodwill and other intangible assets. The acquisition was paid in cash.

Atradius' factoring activities contributed EUR 9 million to total revenues and EUR 1 million to the net profit attributable to shareholders of Fortis Bank Nederland for the year 2005 and are part of the segment Commercial & Private Banking.

2.2 Generale Belgian Holding

In the first quarter of 2005, Fortis Bank Nederland (Holding) N.V. acquired Generale Belgian Holding N.V. from Fortis Bank S.A./N.V. against the issue of new shares.

The acquisition of Generale Belgian Holding resulted in an increase in the following consolidated balance sheet items of Fortis Bank Nederland.

Assets			Liabilities	
Cash and cash equivalents	2			
Due from banks	496		Accruals and other liabilities	3
Investments	96			
Other assets	4			
			Total liabilities	**3**
			Minority interests	
			Cost price	595
Total assets	**598**		**Total liabilities and minority interests**	**598**

Generale Belgian Holding merged with Fortis Hypotheek Bank in the second half of 2005.

2.3 Other

In addition to the transactions described above, Fortis Bank Nederland also made a number of smaller acquisitions. The acquisitions can be summarized as follows:

				Capitalised		
	Quarter	Acquisition	%	intangible	Goodwill	
Acquired company	transaction	amount	acquired	assets	badwill	Segment
Italia Finance and Trading	Q1 2005	7	100		(5)	Merchant Banking
Fortis Commercial Finance Luxembourg	Q2 2005	17	100		9	Comm &Priv Banking
Fortis Prime Fund Solution (BVI) Ltd	Q1 2006	8	100		7	Merchant Banking

2.4 Assets and liabilities of acquisitions and disinvestments

The table below provides details on the assets and liabilities as a result of acquisitions or divestments of subsidiaries at 31 December

		2006		2005
	Acquisitions	Divestments	Acquisitions	Divestments
Assets and liabilities of acquisitions and divestments				
Cash and cash equivalents	4		1	(14)
Due from banks	1	(2)	500	
Due from customers	40		44	
Investments			99	
Other receivables		(27)	294	
Property and equipment	14		1	
Goodwill and other intangible assets	7		36	
Accrued interest and other assets	2	(1)	8	
Liabilities held for trading				
Due to banks	39		199	
Due to customers	2		39	
Subordinated liabilities				
Current and deferred tax liabilities			4	
Accrued interest and other liabilities	18	(27)	63	
Minority interests				12
Net assets acquired / Net assets divested	**9**	**(3)**	**676**	**(26)**
Negative goodwill			5	
Gain (loss) on disposal gross		4		
Gain (loss) on disposal net of taxes				5
Cash used for acquisitions / received from divestments:				
Total purchase consideration / Proceeds from sale	(9)		(684)	31
Less: Cash and cash equivalents acquired / divested	4		1	(14)
Less: Non-cash consideration	5		14	
Cash used for acquisitions / received for divestments			**(669)**	**17**

3. Issued capital and reserve

3.1 Unrealised gains and losses included in issued capital and reserve

The table below shows changes in unrealised gains and losses included in issued capital and reserve for 2006 and 2005.

	2006	2005
Balance at 1 January	**201**	**167**
Gross	278	243
- Related tax	(77)	(76)
Changes:		
Unrealised during the period	(57)	86
Reversal unrealised gains (losses) because of sales	(68)	(54)
Foreign exchange differences	(1)	1
Divestments of associates		
Other		2
Change in gross	**(126)**	35
Related tax	42	(1)
Balance at 31 December	**117**	**201**
Gross	152	278
Related tax	(35)	(77)
Balance net at 31 December	**117**	**201**

For information on the share capital of Fortis Bank Nederland we refer to the note on issued capital and reserve in the Company Financial Statements Fortis Bank Nederland (Holding) N.V.

4. Minority interests

The following table provides information about the most significant minority interests in companies of Fortis Bank Nederland:

	% of minority interest	Amount at 31 December 2006	Amount at 31 December 2005	Amount at 31 December 2004
Group company				
Moeara Enim	30.3%	140	146	146
Fortis Intertrust Ltd.	25.0%	6	8	6
Fortis Intertrust Group Holding Geneva	25.0%	(9)	(7)	1
Intertrust Group NV	25.0%	9	8	9
MeesPierson (C.I.) Ltd.	25.0%	10	6	1
Fortis Holding Curacao	25.0%	8	6	
FMM Investments N.V.	25.0%	3		
Fortis Intertrust (Guernsey)	25.0%	3		2
Fortis Intertrust (Netherlands) BV	25.0%	5	2	
Zentravest Group	25.0%	1	(2)	
Fortis Intertrust (Hong Kong)	25.0%	2	1	1
Box Consultants B.V.	31.8%	1		
Fortis Private Equity (Asia) Ltd	25.0%	1	1	1
Fortis Intertrust Management NV	25.0%	1	1	
Fortis Intertrust Financial Engineering SA	25.0%	1	1	
Intertrust London	25.0%	3	2	1
Chamsin Investments	25.0%	1		
Other	25.0%	2	7	2
Total		**187**	**175**	**166**

The remainder of all minority interests of 25.0% are held by Fortis Bank Luxembourg, a group company of Fortis.

5. Risk management

Introduction

Advanced and comprehensive risk management is a prerequisite for achieving sustainable profitable growth. Fortis recognises this and considers its risk management practice to be one of its core competencies. Fortis continuously reviews and upgrades its risk management framework in order to align it with developments in the field and lessons learned in our own practice. Being able to demonstrate that adequate risk management procedures are in place is key to building and keeping the confidence of all external stakeholders: customers, analysts, investors, regulators and rating agencies.

Risk management of Fortis Bank Nederland is an integrated part of risk management of Fortis. Hence, below is presented the risk management philosophy, organisation and taxonomy of Fortis.

The risk management chapter gives an overview of:

- the risk management philosophy of Fortis
- the risk management organisation of Fortis
- the various risk types Fortis Bank is exposed to, summarised in a risk taxonomy
- the risk management approach for each of the various risk types Fortis Bank Nederland faces, including a quantitative and qualitative view on the exposure.

Risk Management Philosophy

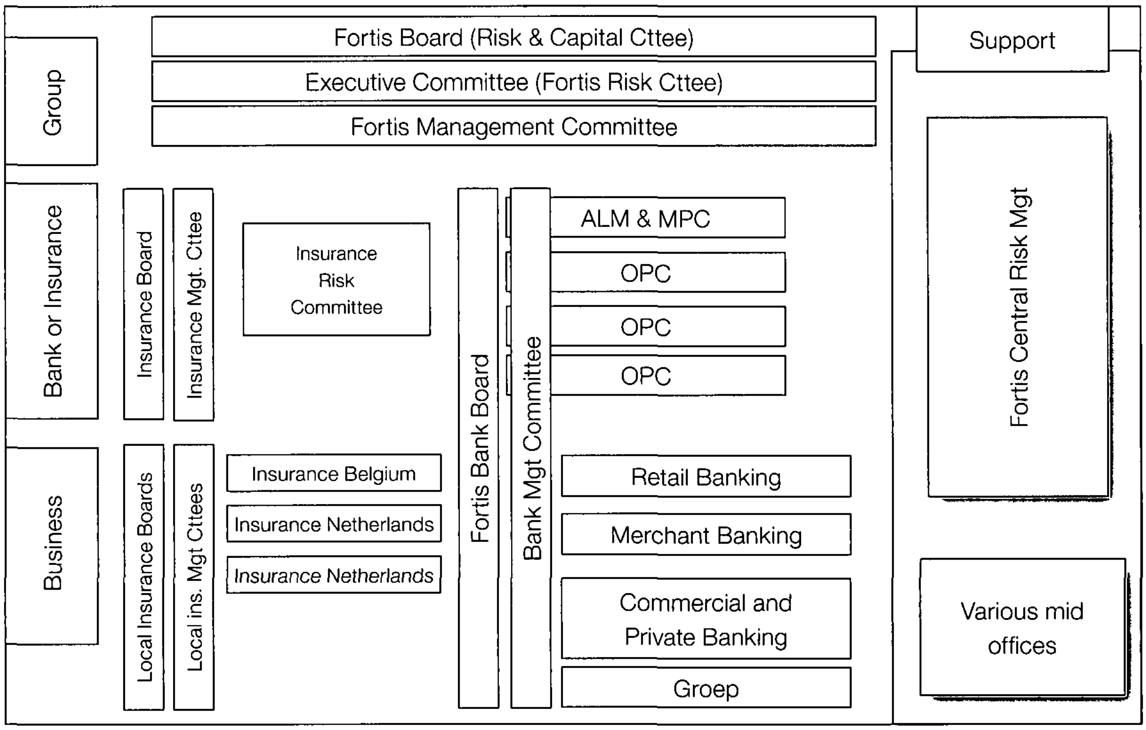
Fortis has developed a common global risk management framework supported by central committees. Within this global risk management framework, which is explained in more detail in the next section, risk management and risk monitoring units are closely linked to each business (business risk management) and/or to specific geographical areas (local/country-level risk management). In conjunction with the Fortis Central Risk Management organisation, the CEO/CFO of each business has primary responsibility for the organisation and execution of risk management within that business. He or she will adhere to and implement policies developed and decisions taken by the central committees. In the following chapters, it is explained how this philosophy has been implemented at Fortis.

Risk Management Organisation

Fortis' risk management organisation has been designed with the following aims in mind:

- To ensure that we have - and that we can demonstrate to have – independent risk management teams in place throughout Fortis.
- To ensure coherent risk-related decision-making between the business, country and group levels, with full coverage of risk issues.
- To formalize effective risk management policies and principles that govern risk management activities throughout Fortis.
- To facilitate the communication on risk-related actions across Fortis.

The Fortis risk organisation is characterised by a Board-level risk committee, executive risk committees at group-, business and country-levels, one central risk department and decentralised risk mid-offices in the businesses and at country levels.



Below we set out to discuss the various risk bodies in Fortis.

Fortis level

The Fortis Risk and Capital Committee (FRCC)

The FRCC helps the Board:

- understand the risks to which Fortis is exposed which are typically inherent in banking and insurance activities
- oversee the effective management of these risks
- ensure the adequacy of Fortis' capital in relation to these risks and to the risks inherent in the operations as a whole.

The Fortis Audit Committee

The Audit Committee, on behalf of the Board of Directors, reviews at least once a year

- the quality and effectiveness of procedures and structures through which risks within Fortis are managed
- the accounting policies relating to risk
- the capital assessment procedures
- the internal control system.

The Audit Committee reports to the board of Directors at least once a year on these topics.

Senior Management Involvement

The Executive Committee defines and periodically reviews the policies, rules and limits with respect to risk management and ensures that:

- policies, rules and limits are implemented in the Operating Companies and approved, where necessary, by the adequate corporate constituencies and
- senior management takes any steps necessary to
  - report, monitor and control risks and
  - manage risks in accordance with the agreed policies and guidelines.

The Executive Committee is regularly informed of risk exposures in order to assess how each category of risk should be monitored. It has ultimate day-to-day responsibility for understanding the nature and level of the overall risks taken by Fortis. The CEO reports to the Fortis Board on the risk profile and the capital adequacy of Fortis and makes proposals to the Fortis Board with regard to risk policies and rules and financing transactions of the Fortis group.

The Fortis Risk Committee

The Fortis Risk Committee supports the CEO and the Executive Committee in ensuring that the group understands its key risks and has comprehensive risk management mechanisms in place. A key role of the Fortis Risk Committee is to ensure the consistency in approach across the Group (bank, insurance and businesses) and that appropriate consideration has been given to Group- level issues at all levels.

Fortis Central Risk Management

The Fortis Central Risk Management (FCRM) Department is headed by the Chief Risk Officer.
Its role is:

- ensure that the group has in place consistently high standards of Risk Management
- maintain the executive management's awareness and understanding of risks being taken
- encourage optimisation of risk/return
- support the work of the various Risk Committees
- co-ordinate the implementation of risk initiatives
- support the businesses on risk issues
- measure Group-wide economic capital
- validate risk models
- measure and monitor ALM, at bank and insurance level.

Fortis Central Risk Management is also responsible for coordinating the communication with internal parties (Fortis Audit Services, Investor Relations) and external parties (rating agencies, investment analysts and regulators for issues that are not specific for operation companies.

Currently, the regulators supervise each insurance Operating company and banking entity separately, and those operating companies continue to liaise directly with their local regulator on local operating company issues. By contrast, the presence of an integrated risk management framework across the banking and insurance activities has been one of Fortis' main strengths in the discussions held with the rating agencies.

Banking level

The Fortis Bank Management Committee delegates the definition, implementation and control of risk management policies to the various central Risk Acceptance Committees.
These committees and their responsibilities are summarized below:

- The Central Asset Liability Management and Market Policy Committee (ALM & MPC) defines balance sheet management policies and limits, monitors balance sheet structure, approves ALM risk management structures, agrees on significant transactions affecting the balance sheet and signs off new products launched by the business lines. These tasks include the monitoring of market risk and market risk limits.
- The Central Operational Policy Committee (OPC) establishes norms, policies and measurement standards in relation to operational risk linked exposure.
- The Central Credit Policy Committee (CPC) approves credit risk policies and processes, decides on concentration limits, signs off on new credit products and monitors credit portfolio quality and credit delegation limits.
- The Central Credit Committee (CCC) decides on individual obligor risks, including country and bank limits, and approves transactions above a certain level, affecting the balance sheet within the lending limit of the bank.

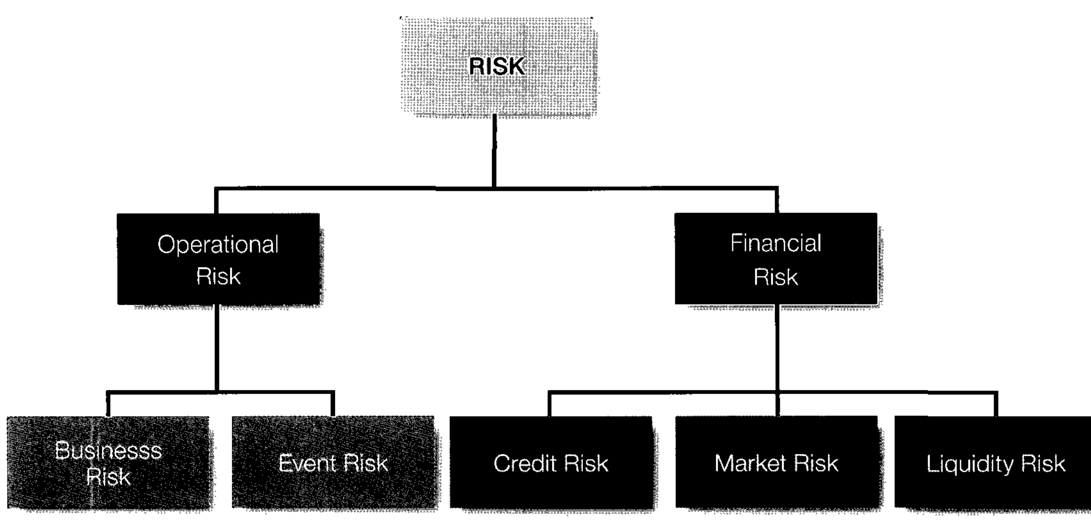
Business level and Country level
Each business is responsible for managing its inherent risks within the limits, policies and guidelines set by regulators and by Fortis Central Risk Management.
Each business has a Business Risk Committee, which supports its Management Team in ensuring that key risks are well understood and that appropriate risk management procedures are in place.
Each business is responsible for managing its inherent risks and ensuring that it has comprehensive risk management systems in place which cover the full risk taxonomy.

Within Fortis Bank Nederland the Asset and Liability Management Committee Fortis Bank Nederland has the responsibility to set policies and limits regarding balance sheet management, monitor balance sheet structure, approve ALM risk management structures, agree on significant transactions affecting the balance sheet and sign off new products launched by the business lines within Fortis Bank Nederland

Fortis Bank Risk Taxonomy

Through its broad set of activities, Fortis Bank faces multiple types of risks. The Fortis Bank Risk Taxonomy was set up in order to classify the variety of risks and provide a unique definition for each risk type.

Fortis Bank differentiates two main categories of risks: operational risks and financial risks



Operational Risks

All companies face operational risk due to the inherent uncertainty in their operating activities, either as a result of external factors or uncontrolled internal factors. Operational risk is divided into two components, Event Risk and Business Risk.

Event Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputation risk. Event Risk is and can be limited through appropriate management processes and controls.

Business Risk is the risk of loss due to changes in the competitive environment that damage the franchise or operating economics of a business. Typically, the impact is seen through variation in volume, pricing or margins relative to a fixed cost base. Business Risk is externally driven, but can be mitigated by effective management practices.

Financial Risks

Financial Risks encompass three types of risks: credit risk, market risk and liquidity risk.

Credit Risk is defined as the risk to earnings or capital arising from an obligor's failure to meet the terms of any contract or to otherwise fail to perform as agreed. Credit risk cannot be measured or monitored in isolation from other risks, in particular, market, country and legal risks. Credit risk arises in lending, investing, trading and hedging activities.
Credit risk is the risk that counterparty will fail to repay all or parts of the principal and interest owed to the creditor. This failure may be caused either by the counterparty's non-payment ("counterparty risk"), or by the imposition of transfer restrictions by the country in which the counterparty operates ("transfer risk"). Counterparty Risk arises primarily from borrowers, re-insurers and bond issuers, but also includes trading counterparties and foreign countries that are unable or unwilling to meet their obligations.

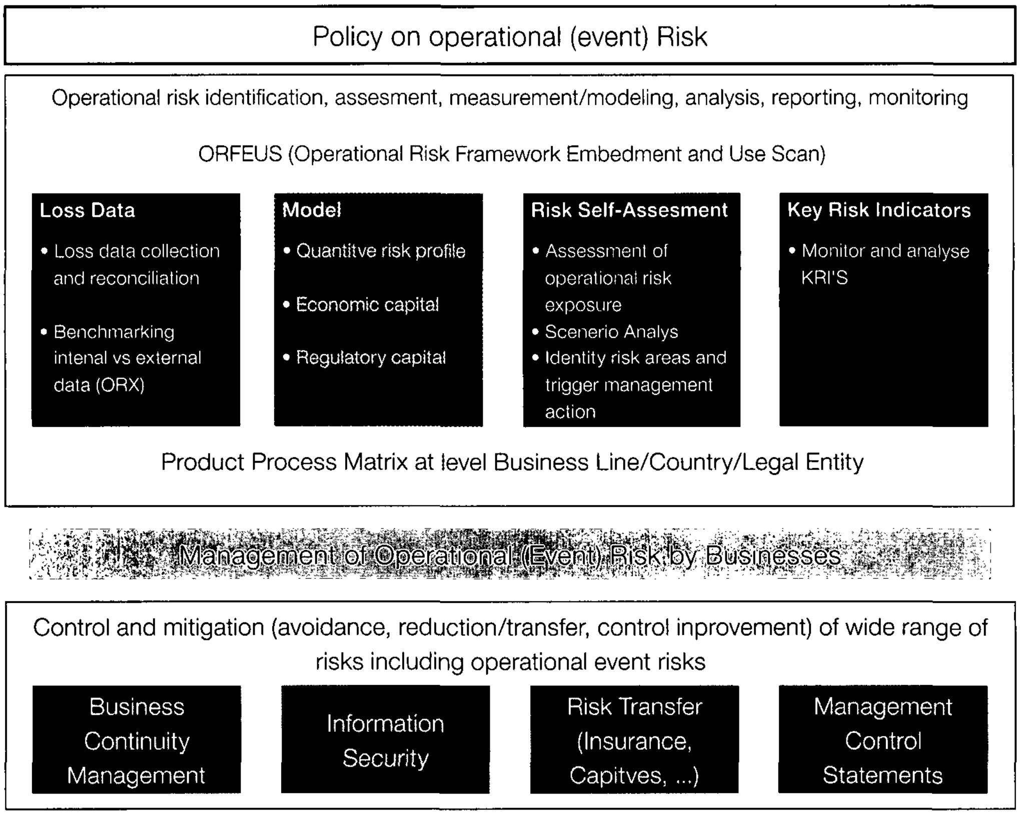
Market Risk relates to the potential loss resulting from unfavourable market movements, which can arise from trading or holding positions in financial instruments. Fortis Bank subdivides Market Risk in two types, ALM Risk and Trading Risk, depending on the duration of the instruments covered. ALM and Trading Risk arise through the impact of changes in foreign exchange rates, interest rates, yield curve shifts, spreads, real estate prices and share prices on the value of assets net of liabilities.

Liquidity Risk refers to a situation where any entity of Fortis Bank Nederland is unable to meet cash demands of its deposit-, other contract- and policyholders without suffering unacceptable losses in realising assets to fund its financial obligations as and when they fall due, both under normal and difficult circumstances. It is the risk that Fortis Bank Nederland does not have sufficient financial resources available to meet its obligations when they fall due, or can secure or sell its assets only at excessive cost.

Operational Risk Management

Overview

In the light of Basel II and corporate governance codes, Central Risk Management has defined a complete operational risk management framework, covering all dimensions of operational risk. This Operational Risk & Management Control (ORMC) framework encompasses policies for managing operational risk, the collection of loss events, risk self-assessments, scenario analyses, key risk indicators, embedding/use of scans, business continuity management, information security, risk transfer management and, where appropriate, the signing of management control statements, The framework is presented in schematic form in the figure below.



The instruments in the red box (described below) are mainly concerned with Operational (Event) Risk management and are applicable for the banking businesses. The instruments in the grey box (described in the following sections) include Business Risk and are applicable for all businesses.

The Fortis Bank policy on the management and mitigation of Operational Event Risk sets out the framework and organisation (including roles and responsibilities) at company, business and country level. Global, local and country operational risk managers have been assigned for all bank-related businesses (including horizontal functions) and main countries.

The Operational Risk & Management Control framework is implemented consistently throughout the whole of Fortis Bank. Each business and legal entity thus complies with the methodology and associated tooling, or integrates its business approach into that framework. Key elements of responsibility allocation include the following:

- At business (line) level: The business has primary responsibility for managing/ mitigating operational event risks in its cross-country operations. Adequate risk management requires the embedding of risk management in the lower levels of the organisation (on-site).

- At country/legal entity level: The country/legal entity has responsibility for the local coordination and support of risk management/mitigation initiatives, coordination across businesses of the management/

mitigation of event risk exposure, communication with regulators and supervisors and reporting to its Country Risk Committee or Country Management Team, respectively.

- At group level: Central Risk Management ensures that operational event risks are assessed, measured and managed across the banking businesses, and coordinates reporting processes to the appropriate Risk Committees (notably the Operational Risk Policy Committee) and Management Committees of the Businesses and the Bank.

Operational risk identification, assessment, measurement, analysis, reporting and monitoring

The Product Process Matrices represent at a high level the value chains of material products/services. These value chains are the most basic level used for loss data collection and risk self assessments.

To inventorise and analyse where operational risk exposures manifest themselves, the businesses continuously collect loss data (events above a threshold of EUR 1.000), including causal information, in a central application called OPERA. In 2006 Fortis Bank Nederland did not experience any material operational losses.

Loss data collection is supplemented by external data through the ORX (Operational Risk data eXchange Association), which Fortis co-founded. In ORX members exchange loss data information in a standardized, anonymous and quality-assured form.

Central Risk Management has developed a risk self-assessment method that covers a range of risks in order for the businesses to:
- assess annually the effectiveness of controls and the exposure to operational event risk in current product lines
- assess risks that go beyond the scope of operational event risk (e.g. business impact as a result of discontinuity of activities, ineffective security measures and non-compliance with laws and regulations
- underpin the signing of the management control statement.

The Operational Event risks assessed are related to their causes within the classes 'people', 'process', 'systems' and 'external events'. The results of the risk self assessments are introduced in the central OPERA-application.

In addition, scenario analyses are performed at the level of the business lines to evaluate their exposure to high-risk incidents. External sources such as ORX and the Fitch FIRST database are used to complete or enrich risk self-assessments, scenario analyses and stress tests.

For the more risk sensitive activities the business is starting up the definition, monitoring and analysis of their Key Risk Indicators, which will be integrated in the continuous management process of the Business unit concerned to initiate preventive actions before problems may materialise or escalate.

Periodically Central Risk Management performs a global survey to assess and establish the embedding and use of the operational risk management components of the ORFEUS framework. The scan results give an indication of the quality of operational risk management in the businesses compared with regulatory and internal criteria.

Central Risk Management models the operational event risk profile of business lines to calculate quarterly, both economic capital (at the level of business and business line) and regulatory capital (at the level of legal entity) for operational event risk. The main data source used, i.e. data from risk self-assessments, is provided by the business lines themselves. However, other data sources are also used in the Advanced Measurement Approach flow. This modelling is supported by a specific application, which will continue to evolve in line with industry practice.

Operational event risk-related information is reported, according to defined reporting lines, to various risk management units, e.g. risk management departments and committees at business and country level, to Central Risk Management and to the Operational Risk Policy Committee. Based on that information, executives manage their operational risk profile.

Operating Control and Mitigation

Fortis has put in place a variety of processes to control and mitigate Operating Risks. These are briefly discussed in the following section.

Risk reduction and transfer

Management can decide

- to perform more broadly focused and more detailed assessments (methodologies are available for Business Continuity Management and Information Security)
- to avoid risks (e.g. divestments)
- to transfer risks (insurance, captives)
- to improve processes
- to accept risks.

Business Continuity Management

The Business Continuity Management approach (BCM) of Fortis is aligned to related regulations and the Fortis Business Continuity Management Policy. In recognition of Fortis' growth, increasing complexity in process interactions, and rising expectations on the part of stakeholders such as suppliers, customers and regulators, the BCM Policy and Implementation Guide are reviewed on a regular basis.

The Business Continuity Organisation defines the responsibilities in the development and maintenance of the Business Continuity Plans and also describes the mobilisation and roles of the different teams in the event of a crisis.

Each business, horizontal function and country is responsible for its own Business Continuity Plan (BCP). The Country Manager is in charge of the coordination and reports to the Board concerning Business Continuity in general and the efficiency of the BCP in particular.

Central Risk Management has a leading and coordinating responsibility and provides the organisational units with a comprehensive, generic implementation framework, supported by a Fortis BCM application.

On the basis of local information received, Central Risk Management creates an oversight and reviews/monitors the Business Continuity organisation, implementation, testing, incidents and residual risks. Central Risk Management reports the consolidated view to the appropriate organisational levels.

Central Risk Management also implements an action program in order to attain and maintain the required level of maturity for BCM. This action program focuses on developing the cross border strategy, providing guidance, challenge, implementation support and assistance to key staff involved with BCM, and dependencies between internal and external parties.

Adequate management attention has been given to pandemic risk like asian flu, providing a detailed view on the time and workload resistance of critical activities, on the vulnerability to external suppliers, and on the overall measures to be taken.

Information Security

Fortis has laid down a structured information security approach in the Fortis Information Security Policy. The framework of the Fortis Information Security Policy consists of:

- The Information Security Policy Statement document, which defines the framework as well as the organisation and the responsibilities with regard to policy implementation. Mandatory security directives that apply to the entire Fortis group and to third parties with whom Fortis exchanges information are also added.
- The Information Security Policy Reference document, which translates the international best-practice ISO/IEC 17799:2005 into concrete policy statements for Fortis.

The Fortis Information Security Policy must be implemented on a "comply or explain" basis.

Responsibility for the design and implementation of the Information Security is delegated to the Operational Risk Policy Committee (OPC) for Fortis Bank Nederland.

The OPC/IRC has specifically designated an Information Security Steering Committee, comprised of senior representatives of the businesses and horizontal functions to steer the policy implementation at strategic level. Fortis Central Risk Management is the secretary of this committee.

The Fortis Information Security Forum is comprised of Information Security Officers from businesses and horizontal functions. It aims at advising and reporting to the Information Security Steering Committee regarding implementation status and issues.

Insurances and captives

In accordance with industry practice, Fortis has acquired insurance policies issued by third party insurers and partly also through its captive reinsurance companies which provide coverage for claims and losses arising from the provision of professional services.

The current composition and structure of this insurance program may be summarised as follows:

- Combined Bankers Blanket Bond, Computer Crime and Professional Indemnity for Fortis Bank

The contract is placed on the external insurance market.

- Directors and Officers Liability Insurance

Placed on the external insurance market this coverage intends to protect the personal liability of the Directors and Officers of Fortis on a group level for claims made against them in person for wrongful acts solely by reason of their status of director or officer.

- Other insurance contracts in place
  - Property Insurance including Terrorism coverage
  - General Liability
  - Worker' Compensation

Management Control Statements
While Operational Risk Management focuses mainly on operational event risks, Management Control is chiefly concerned with Business Risk (including strategic and reputation issues). Notwithstanding differences in emphasis between business and operational event risk, the risk assessment, control assessment and remediation of weaknesses are similar. Furthermore, operational risk management and management control are interrelated. The results of the operational (event) risk assessments serve as input for the risk assessment performed by senior management, as part of the annual Management Control Statement procedure that is coordinated by Central Risk Management. The management teams sign their Management Control Statement and define action plans (if necessary) to improve steering/control. Central Risk Management coordinates reporting on the follow-up on those action plans.

Financial Risk Management

As a financial institution, Fortis Bank Nederland is faced in particular with a variety of financial risks. The management of credit risk, market risk and liquidity risk management is extensively discussed below.

Credit Risk

Credit Risk Management
All credit risk management within Fortis Bank Nederland is governed by one policy, namely the Fortis Credit Policy. This Policy contains a set of principles, rules, guidelines and procedures for identifying, measuring, approving and reporting credit risk within Fortis. The Fortis Credit Policy establishes a consistent framework for all credit risk-generating activities, either through direct lending relationships or other through activities resulting in credit risk such as investment activities or reinsurance claims. The Policy is subdivided into four categories: Principles and framework, Cross-Business Policies, Business-Specific Policies and Instructions.

Principles and framework comprise the core values and parameters that define Fortis' risk tolerance and characterise its credit culture. These are universal and, with the exception of the Credit Risk Strategy - embedded in the Credit Risk Charter, which is subject to change in response to market developments and business strategy - have a constant character. Cross-business policies, business-specific policies and instructions have a dynamic character. They are subject to amendment or review based on changing circumstances and accumulated experience.

Cross business policies describe the framework according to which a specific product, credit activity must be organised across more than one business or within Fortis as a whole.
Business-specific policies provide specific guidance on all aspects of a specific product or credit activity restricted to one business. They are formulated and developed within the business to ensure applicability and ownership. Instructions give detailed information on processes related to credit activities.

The basis for effective credit risk management is the identification of existing and potential credit risk inherent in any product or activity. This process includes the gathering of all relevant information concerning the product offered, the counterparties involved and all elements that may influence the credit risk. Assessing the credit risk of a proposed agreement consists of:

- analysis of the probability that counterparty will fail to meet its obligations, including the risk classification on the Fortis Master scale.
- analysis of the possibilities of fulfilling the counterparty's obligations by some other means in the event that the counterparty fails to meet its obligations by itself.
- formulation of an independent and substantiated opinion.

Counterparty acceptance criteria are conditions that Fortis applies for the acceptance of credit customers. These conditions reflect the general acceptable credit risk profile that Fortis has determined.
Fortis aims to operate in accordance with sound, well-defined credit-granting criteria in order to protect its reputation and ensure its sustainability; Fortis does not want to be associated with dubious counterparties or credit facilities. The counterparty acceptance criteria include a clear indication of the Bank's target market and a thorough understanding of the borrower or counterparty, as well as the purpose and structure of the credit, and its source of repayment.

Authorised persons or committees take a credit decision, based on this credit opinion. Delegation of credit authority is the partial transfer of the central credit decision-making authority to the appropriate management levels of Credit Risk Management and the Businesses. The delegation rules organise and condition the decision-making process regarding the acceptance and management of counterparty risk. The underlying principle in the setting of these rules is the need to strike an optimum balance (in terms of overall profitability) between two opposite drivers, namely the maximising of the decision-taking autonomy of the Businesses on one hand and the reduction of counterparty risk on the other.

Credit analysis and decision apply to any change of credit risk, as well as to regular reviews of existing credit risk. The monitoring of credit risk is a permanent and automatic control, performed on credit exposures and events with the primary purpose of an early detection and reporting of potential credit problems.

Risk surveillance consists of the daily monitoring of all individual credit risks. Comprehensive procedures and information systems monitor the condition of individual credits and single counterparties across the various portfolios. These procedures define criteria for identifying and reporting potential problem credits in order to ensure that they are subject to proper monitoring, to possible corrective action and classification.

Impaired credits are transferred to Intensive Care. Intensive Care develops a strategy to rehabilitate an impaired credit or to increase the repayment. Intensive Care also provides valuable input and assistance to the Businesses, in dealing with non-impaired problem loans. The Intensive Care function is segregated from the area that originated the credit. In the event that a counterparty fails to meet its obligations and is considered to be unable to meet them in future all other means have to be applied in order to fulfil this counterparty's obligations towards Fortis Bank, such as selling or realising receivables, collateral or guarantees.

Credit Risk exposure

Fortis Bank Nederland's overall credit risk exposure (gross of impairments) at 31 December 2006 and 2005 can be presented as follows:

	2006	2005
Cash and cash equivalents (see note 13)	**22,075**	**13,508**
Assets held for trading		
Debt securities	180	1,408
Derivative financial instruments	4,195	4,330
Total assets held for trading (see note 14)	**4,375**	**5,738**
Due from banks		
Interest bearing deposits	4,345	2,666
Loans and advances	769	657
Reverse repurchase agreements		
Securities lending transactions	21,129	13,785
Other	829	157
Total due from banks (see note 15)	**27,072**	**17,265**
Due from customers		
Government and official institutions	1,576	1,478
Residential mortgages	60,682	54,906
Consumer loans	4,892	4,541
Commercial loans	32,444	30,727
Reverse repurchase agreements		
Securities lending	23,493	16,035
Other	1,413	1,620
Total due from customers (see note 16)	**124,500**	**109,307**
Interest bearing investments		
Treasury bills	4	
Government bonds	1,962	2,161
Corporate debt securities	1,607	4,182
Mortgage backed securities		
Other asset backed securities		2
Investments (see note 17)	**3,573**	**6,345**
Other receivables (see note 18)	**2,935**	**2,666**
Total on balance credit risk exposure	**184,530**	**154,829**
Off balance credit commitments exposure (see note 43)	**59,019**	**48,116**
Total credit risk exposure	**243,549**	**202,945**

Off-balance credit commitments are detailed in the table below:

	2006	2005
Available confirmed credit lines		
Banks	1,976	1,015
ustomers - loans - Government and official institutions	7	3
Customers - loans - Residential mortgage	4,453	3,968
Customers - loans - Consumer loans	993	503
Customers - loans - Commercial loans	23,432	14,385
Total available confirmed credit lines	30,861	19,874
Credit related commitments		
Guarantees and financial letters of credit	2,585	2,004
Banker's acceptances	53	82
Documentary credits	3,414	
Other credit commitments	22,106	23,602
Total credit related commitments	28,158	28,242
Total off-balance credit risk exposure	**59,019**	**48,116**

Liquidity requirements to support calls under guarantees and credit commitments are considerably less than the contractual outstanding amounts, as many of these commitments will expire or terminate without being funded.

Financial assets and liabilities are offset and the net amount reported on the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. However, a right to set-off may not meet the criteria for offsetting under IAS/IFRS rules. The table below provides information at year-end on the existence of such rights as well as on master netting agreements that serve to mitigate the exposure to credit loss. Financial assets reported hereunder are those subject to a legal right of set-off against financial liabilities when such assets are not presented in the balance sheet on a net basis.

	2006	2005
Total credit exposure subject to a legally enforceable right of set-off		
Due from banks	7	
Due from customers	6,547	6,601
Other assets		
Total credit risk exposure subject to a legally enforceable right of set-off	6,554	6,601
Credit exposure reduced by virtue of a master netting arrangement	1,109	1,261

A credit risk concentration is any exposure to a counterparty or an aggregate of exposures to a number of correlated counterparties with the potential to produce significant losses when defaulting. A credit risk concentration can only be allowed, if:

- the maximum loss it possibly produces does not threaten Fortis Bank Nederland's health or ability to maintain its core operations, and
- the confidence level of such maximum loss not being exceeded is equal or higher than a level accepted by Fortis Bank Nederland

Fortis Bank Nederland applies the "total one obligor" concept. This includes that groups of connected counterparties are regarded as one counterparty in the management of credit risk. To manage the concentration of credit risk, Fortis credit risk management policy aims to spread the credit risk across several sectors and countries. The table below shows Fortis Bank Nederland's industry concentration of Fortis Bank Nederland's customer loan portfolio at 31 December 2006 and 2005:

		2006		2005
	Due from customers	Total %	Due from customers	Total %
Agriculture, forestry and fishing	323	0.3%	23	0.0%
Energy and water	1,372	1.1%	193	0.2%
Metallurgic & non-metallic minerals	183	0.3%	40	0.0%
Chemicals and plastics	566	0.5%	53	0.1%
Metal works	197	0.3%	30	0.0%
Other manufacturing	2,806	2.3%	173	0.2%
Construction and engineering	1,865	1.5%	13	0.0%
Distribution, hotels and catering	416	0.3%	66	0.1%
Transport	706	0.3%	21	0.0%
Communication	215	0.3%	1	0.0%
Real estate	2,996	2.4%	35	0.0%
Shipping	1,841	1.5%	704	0.6%
Trade and commodity finance	832	0.7%	140	0.1%
Other services	5,948	4.8%	1,715	1.6%
Public administrations	2,110	1.7%	2,291	2.1%
Government and official institutions	1,576	1.3%	1,478	1.4%
Financial institution & services to firms (incl. insurance)	33,867	27.2%	41,542	38.0%
Monetary intermediations	30	0.0%	123	0.1%
Private persons	64,461	51.8%	59,447	54.4%
Unclassified	2,190	1.8%	1,219	1.1%
Total	**124,500**	**100.0%**	**109,307**	**100.0%**

The geographical distribution of Fortis Bank Nederland's credit risk exposure can be presented based on location of the Fortis Bank Nederland company involved or based on the location of the customer. The table below sets out the concentration of credit risk based on the location of the company of Fortis Bank Nederland at 31 December 2006 and 2005:

		2006		2005
	Credit risk exposure on balance	Total percentage	Credit risk exposure on balance	Total percentage
Location of Fortis company				
Benelux	168,146	91.1%	142,916	92.3%
Other European countries	10,732	5.8%	7,728	5.0%
Asia	3,946	2.1%	2,485	1.6%
Other	1,706	1.0%	1,700	1.1%
Total	**184,530**	**100.0%**	**154,829**	**100.0%**

The table below sets out the concentration of credit risk at 31 December 2006 and 2005 by location of the customer:

		2006		2005
	Credit risk exposure on balance	Total percentage	Credit risk exposure on balance	Total percentage
Location of customer				
Benelux	129,840	70.4%	105,930	68.4%
Other European countries	29,978	16.2%	24,869	16.1%
Asia	4,004	2.2%	3,038	2.0%
Other	20,708	11.2%	20,992	13.5%
Total	184,530	100.0%	154,829	100.0%

The table below provides information at year-end on concentration of credit risk by location of customer and type of counterparty:

					2006
	Government and official institutions	Credit institutions	Corporate customers	Retail customers	Other
On-balance sheet interest					
Benelux	4,086	19,243	35,197	67,115	4,199
Other European countries	154	17,733	10,624	729	737
Asia	26	3,309	479	185	5
Other	109	5,485	14,252	557	306
Total on-balance	**4,375**	**45,770**	**60,552**	**68,586**	**5,247**

Policy matters related to individual counterparties identify groups of counterparties or financing techniques or products, which require special treatment and/or restricted delegation rules on decision-making in the credit granting and management process.

The principle of those matters has been set up with the aim of general prudence in order to decrease the counterparty default risk and to control/manage/minimize the reputation risk in the credit granting activity.

Credit Risk rating is a classification that results from a qualified assessment and formal evaluation, based on:

- the analysis of each obligor's (individual counterparty) financial history, specifically as it relates to its ability to meet debt obligations or the probability of default
- the quality and safety of an asset (bonds or equities), based on the issuer's financial condition indicating the likelihood that a debt issuer will be able to meet scheduled interest and principal repayments.

The ultimate goal of the Risk Rating Assignment Process is to calculate the Expected Loss within one year, for every given borrower (lending) or asset (investment).

The Fortis Master scale ranges from 0 to 20 and gives an indication of the probability that counterparty defaults within one year. Master scale ratings 0 to 7 are investment grade ratings, 8 to 17 are sub-investment grade ratings and 18 to 20 are impaired loans ratings. The following table outlines the credit quality by investment grade of Fortis Bank Nederland's interest-bearing securities at 31 December 2006 and 2005, based on external ratings.

		2006		2005
	Carrying value	Percentage	Carrying value	Percentage
Investment grade				
AAA	1,940	54.3%	2,274	35.8%
AA	508	14.2%	1,894	29.9%
A	1,112	31.1%	2,112	33.3%
Investment grade	3,560	99.6%	6,280	99.0%
Unrated	13	0.4%	65	1.0%
Total net investments in interest bearing securities	**3,573**	**100.0%**	**6,345**	**100.0%**

Problem Loans

Problem loans are exposures for which the counterparty has become impaired, but include also exposures for which signals have been detected indicating that the counterparty may become impaired in the future. Problem loans are classified into different risk classes for individual counterparties or arrear buckets for groups of aggregated counterparties in order to sharpen their monitoring and review. Problems loans with rating 18, 19 and 20 have defaulted and are impaired: Those with rating 0 to 17 have not defaulted and are still considered performing. Because of the accrued risk profile of problem loans, an adapted involvement of the Risk Management functions is required by the handling of these loans.

Impaired Loans

Impairment for specific credit risk is established if there is objective evidence that Fortis Bank Nederland will not be able to collect al amounts due in accordance with contractual terms. The amount of the impairment is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows and the collateral values less selling costs if the loan is secured.

A financial asset will be classified as impaired if one or more loss events are identified which have a negative impact on the estimated future cash flows related to that financial asset.
Events that can be considered as loss events include situations where:

- the counterparty is unlikely to pay its credit obligations to Fortis Bank Nederland in full, without recourse by Fortis Bank Nederland to actions such as realising collateral
- the counterparty has a material credit obligation which is past due for more than 90 days (overdrafts will be considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than that currently outstanding)

In practise, Fortis Bank Nederland uses a set of obligatory and judgemental triggers that can lead to classification as impaired. The final decision on declassification is always subject to expert judgement. Obligatory triggers include bankruptcy, Chapter 11 (and equivalent) and 90 days' past due. Judgement-based triggers include (but are not limited to) negative equity, regular payment problems, improper use of credit lines, legal action by other creditors, ... These triggers are complementary to the judgement of an expert. Loans with Fortis Master scale Ratings 18, 19 and 20 have defaulted and are impaired.

The restructuring of a loan can affect different elements of the loan structure such as tenor, collateral mix, pricing etc. On its own a loan restructuring process is not a trigger for transferring a loan from impaired to normal status and any such restructured loan will therefore retain its impaired status after restructuring.

The table below provides information at year end on impairments and impaired credit risk exposure.

			2006			2005
	Impaired	for specific credit risk	Coverage ratio	Impaired	for specific credit risk	Coverage ratio
Due from customers						
Government and official institutions	3	(2)	66.7%	2	(2)	100.0%
Residential mortgages	845	(27)	3.2%	935	(35)	3.7%
Consumer loans	201	(75)	37.3%	218	(86)	39.4%
Commercial loans	829	(285)	34.4%	847	(327)	38.6%
Other	2	(2)	100.0%	7	(3)	42.9%
Total due from customers	1,880	(391)	20.8%	2,009	(453)	22.5%
Other receivables	101	(15)	14.9%	124	(24)	19.4%
Total on-balance	1,981	(406)	20.5%	2,133	(477)	22.4%
Total off-balance	103		0.0%	33		0.0%
Total impaired credit risk exposure	**2,084**	**(406)**	**19.5%**	**2,166**	**(477)**	**22.0%**

The table below provides information on the duration of impairment being the period between the first impairment event of the financial asset and 31st of December.

				2006				2005
	< 1 year impaired	> 1 year < 5 years impaired	> 5 years impaired	Total	< 1 year impaired	> 1 year < 5 years impaired	> 5 years impaired	Total
Due from customers								
Government and official institutions		3		3	1	1		2
Residential mortgage	556	289		845	793	142		935
Consumer loans	146	55		201	69	149		218
Commercial loans	345	478	6	829	182	659	6	847
Other	93			93	4	3		7
Total due from customers	1,140	825	6	1,971	1,049	954	6	2,009
Other receivables	4	6		10	66	56	2	124
Total on balance	1,144	831	6	1,981	1,115	1,010	8	2,133
Total off balance	42	60	1	103	13	20		33
Total impaired credit risk exposure	**1,186**	**891**	**7**	**2,084**	**1,128**	**1,030**	**8**	**2,166**

Write-offs are based on Fortis Bank Nederland's latest estimate of its recovery and represent the loss which Fortis Bank Nederland considers it will incur. Conditions for write-off may be a.o. that the obligor's bankruptcy proceedings have been finalised and securities have been exhausted, that the obligor and/or guarantors are wholly insolvent, that all normal recovery efforts have been exhausted or that the economic loss term (i.e. the term within which all expenses will exceed the amount of recovery) has been reached.

Incurred but not reported (IBNR) impairment on loans represents losses inherent in components of the performing loan portfolio that have not yet been specifically identified.

The scope of the calculation of the IBNR impairment covers all financial assets found not to be individually impaired from the categories Loans to customers and Due from banks. All related off-balance sheet items such as unused credit facilities and credit commitments are also included.

The IBNR calculation combines the Basel II concept of expected loss on a one year time frame with intrinsic elements such as 'incubation period', macro economic factors and expert view.

The IBNR is calculated on a performing loan portfolio. IBNR amounted to EUR 73 million at the end of 2006 compared to EUR 79 million at the end of previous year.

Risk mitigation is the technique of reducing the credit risk by hedging or by obtaining collateral. Hedging is any financial technique designed to reduce or eliminate the financial risk engendered by products and/or activities. Security (collateral) is any commitment made or privilege given by a counterparty of third party to which Fortis Bank Nederland can seek recourse in the event of the counterparty's default in order to reduce loan losses, or any other agreement of arrangement having a similar effect. The lending activity is never purely based on collateral or hedging. The risk mitigation factors are always considered as a second way out.

Market Risk

Market Risk impacts both the structural positions of the banking activities (ALM Risk) and the trading positions taken by the banking business to benefit from the short-term volatility in the different risk factors of the financial markets (Trading Risk). The Risk Management approach is differentiated due to the specificities of each of these activities.

ALM Risk

ALM Risk Management

At Fortis Bank Nederland level, ALM Risk is measured and managed, with consistent methods (e.g. fair value calculations, stress tests, worst-case sensitivities, ...) and within a unique Risk Management framework. This enables Fortis Bank Nederland to report and manage risk information on an integrated basis. On top of this uniform framework, the specificities of the businesses sometimes also require specific measures for the banking activities.

ALM Risk focuses on value and earnings changes implied by volatility in interest rates, exchange rates, share prices and real estate prices.

ALM acts according to the rules and guidelines set out by the ALM & MPC Committee and plays an important role in managing balance sheet and off-balance sheet items at all levels. The ALM & MPC Committee defines the methodology to set internal transfer prices.

The responsibilities of ALM are:

- to establish a framework for risk management and control of all the banking activities with an inherent Market Risk
- to ensure a global asset allocation coherent with the strategy
- to apply the concept of global limits to all types of Market Risks related to the banking book
- to define the methodology to set the internal transfer price and apply it to the different banking businesses
- to follow closely regulatory solvency, assess the evolution of the CAD ratios and propose strategies concerning additional components of regulatory equity such as subordinated loans and hybrid financing.

ALM Risk exposure

ALM Risk - Interest Rate Risk

Interest rate volatility is a dominant risk factor in the banking industries. The three main sources of Interest Rate Risk actively monitored at Fortis Bank Nederland are:

- repricing risk, due to a mismatch of interest rate repricing between assets and liabilities (usual mismatch)
- changes in the structure of yield curves (parallel, flattening or sloping shifts)
- optionality: certain financial instruments carry embedded options (hidden or explicit) that will be exercised depending on the evolution of interest rates.

Fortis Bank Nederland measures, monitors and controls its ALM Interest Rate Risk using the following indicators:

- "cash flow gap analysis", which illustrates the profile of the interest rates exposure over time and is used to quantify and compare interest rate sensitive asset and liability exposures by different time buckets. The cash flow gap highlights the mismatch between asset and liability exposures at different maturities
- "duration of equity", used as a key indicator for the Interest Rate Risk. It reflects the value sensitivity to a small parallel interest rate shift
- interest rate sensitivity of the fair value by applying stress tests of +/- 100bp to the fair value
- "Value-at-Risk" (VaR), which calculates the maximum potential structural loss on a fair value basis resulting from different possible market fluctuations, based on a horizon of one year and a reliability interval of 99.97%
- "Earnings-at-Risk" is an indicator that simulates the effect of changes in interest rates on future results.

Cash Flow Gap Analysis

The table below shows Fortis Bank Nederland's exposure to Interest Rate Risk. The interest sensitivity gap over a given time period is the difference between the amounts to be received and the amounts to be paid.

Cash flows of assets and liabilities are classified by the earlier of expected repricing or maturity date. For assets and liabilities without maturity, the projected cash flows reflect the interest rate sensitivity of the product. For products without maturity e.g. saving and current accounts, a significant part of the outstanding volumes are stable on a long term basis and are considered as long-term funding. The derivatives are principally used to reduce Fortis Bank Nederland's exposure to interest rate changes. The notional value is reported separately in this table. A positive (negative) amount means a net receiving (paying) position in derivatives. The maturities of assets and liabilities and the ability to replace, at acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing Fortis Bank Nederland's exposure to changes in interest rates.

Bank in Mio	< 3 months	3-12 months	1-3 years	3-5 years	5-10 years	> 10 years
Gap A-L	(13,782)	3,205	1,388	1,631	9,828	3,737
Derivates	47	8,924	(416)	(4)	(5,172)	(3,407)
GAP	(13,736)	12,130	972	1,628	4,656	330

Duration of Equity

Duration reflects the value sensitivity to a small parallel interest rate shift i:

$$\frac{\Delta \text{Value}}{\text{Value}} = -\text{Duration} \cdot \Delta i$$

Consequently, the following characteristics of this indicator can be derived:

- a positive (negative) duration leads to a decrease (increase) of value when rates increase (i positive)
- the higher the absolute value of the duration, the higher the sensitivity of the value to an interest rate movement.

"Duration of equity" is an application of duration analysis that measures Fortis Bank Nederland's' consolidated interest rate sensitivity. It is the duration that must be attributed to the difference between the value of assets and the value of liabilities, so that the total balance sheet will be insensitive to interest rate changes. The "duration of equity" is an overall indicator of the mismatch in durations between assets and liabilities.

The following table shows the mismatch between the assets and liabilities weighted durations for Fortis Bank Nederland as a whole. The bank has a positive duration of equity. This means that an increase of interest rates leads to a decrease of value for the bank.

Duration of equity (years)	31 December 2006	31 december 2005
	4.0	6.7

While the duration of equity measures the sensitivity of the value for very small interest rate movements, Fortis Bank Nederland is also interested in the variability of the value for bigger interest rate shocks. This is shown in the following section.

Interest rate sensitivity of the Fair Value

This table shows the impact of a +/- 100 bp shift of the yield curve on the total fair values of Fortis Bank Nederland as a whole. This table shows the fair value of the equity, in other words the fair value of all the assets minus the fair value of all the liabilities (excl. equity).

Impact on fair value at 31 December 2006 (in Mio Euro)	+ 100bp	-100bp
	-209 (-4.0%)	+209 (+4.0%)

A parallel shift of interest rates with 100 basis points will lead to a change in fair value of approximately 4% of total fair value.

The Interest Rate Risk indicators "Value-at-Risk" and "Earnings-at-Risk" will be discussed in the section "ALM Risk - Other risk factors".

ALM Risk – Currency Risk

Any financial product is denominated in a specific currency and Exchange Rate Risk stems from a change of the exchange rate of that currency to the functional currency of Fortis Bank Nederland (EUR).

No Foreign Exchange Risk is taken in the ALM Bank position due to the application of the following principles:

1. Loans and bond investments in other currencies than the functional reporting currency of Fortis Bank Nederland need to be hedged by a funding in the corresponding currency.
2. Participations in other currencies than the functional reporting currency of Fortis Bank Nederland need to be hedged by a funding in the corresponding currency. The Fortis Bank Nederland policy is to hedge via short term funding in the corresponding currency when possible. Net investment hedge accounting is applied.
3. The results of branches and subsidiaries in other currencies than the functional reporting currency of Fortis Bank Nederland are hedged on a regular basis (monthly).

Exceptions to this general rule have to be approved by the ALM & MPC Committee.

ALM Risk - Other Risk Factors

Next to Interest Rate Risk, ALM Risk also entails Foreign Exchange Risk.

These risk factors are monitored through risk indicators such as "Value-at-Risk" and "Earnings-at-Risk".

Value-at-Risk

The table below shows the maximum loss in case of a worst-case scenario to which Fortis Bank Nederland is exposed based on a Value-at-Risk model based on a horizon of one year and a confidence interval of 99.97%. This severe scenario corresponds to the overall common framework of economic capital within the Group.

	Fortis Bank Nederland
Value at Risk	291 mio (3,5% of Market Value

Earnings-at-Risk

Earnings-at-Risk is the amount the future net interest margin is projected to decline due to hypothetical adverse changes in interest rates. The Earnings-at-Risk measure assesses the impact of stress tests on the projected IFRS net income before tax.

Earnings-at-risk	2007
Bank	
+100bp	-125 -7.6%
-100bp	125 +7.6%

The interest margin in the earnings-at-risk simulation is calculated with a constant duration of equity over the whole year. The potential sensitivity of the 'Treasury & Trading' position is in scope.

ALM Risk – Risk Mitigating Strategies

Fortis Bank Nederland mitigates its Interest Rate Risk in her banking activities with different instruments among which the most important ones are derivatives, primarily interest rate swaps and options. Interest rate swaps are used to change the linear risk profile, mainly caused by long assets, e.g. fixed rate mortgages and by long liabilities, e.g. subordinated liabilities. Options are used to decrease the non-linear risk, mainly caused by the embedded options sold to the client, e.g. caps, prepayment risk.

As a result of a hedge, the economic impact of changes in the hedged item's net present value (NPV), due to changes in the appropriate benchmark interest rate curve, is reduced by offsetting changes in the NPV of the hedging derivative financial instrument.

The risk being hedged is Interest Rate Risk, specifically, fair value changes of fixed rate assets and liabilities due to changes in the designated benchmark interest rate. The designated interest rate is the rate prevailing in the hedging instrument, so that any changes in fair value of the hedged item due to credit risk above that inherent in the hedging instrument, is excluded from the hedged risk.

The economic hedges done by ALM bank are classified as portfolio hedge accounting. Because of this hedge accounting, the impact of changes in the hedged item's fair value, due to changes in the appropriate benchmark interest rate curve, is reduced by offsetting changes in the fair value of the hedging derivative.

Due to the strict rules to apply hedge accounting, not all economic hedges covering Fortis Bank Nederland's interest rate risk exposure qualify as hedges under IFRS. For example, options used for economic hedging do not qualify as hedges. This means that, although an economic hedge exists, accounting wise Fortis Bank Nederland will bear the impact of the changes in fair value of these options through profit or loss.

The table gives an overview of the portfolio hedge accounting applied on ALM positions.

hedged items	hedging instruments	hedged risk (in EUR million)(*)
mortgages	payer swaps	- 14.6

(*) *impact in Mio on fair value of 1bp. parallel shift of the yieldcurve*

ALM derivatives position end of December 2006 has a P&L impact of EUR 14.6 million (before taxes) by a 1 basispoint yield curve shift. Macro hedging reduces most of this P&L volatility, but open derivatives remain for which hedge accounting is not always possible. End of December 2006 the open derivatives position was EUR 0.5 million (before taxes) for a 1 basispoint yield shift. In 2006 the fair value change of the derivatives in hedge accounting was EUR 1.08 billion. The fair value change of the hedged item has neutralised 96% of the fair value change of the hedging items.

Trading Risk

Trading Risk Management

Trading Risk is limited to the banking activities of Fortis Bank Nederland and more specifically to the Merchant Banking activities for which the daily outcome of transactions depends on the development in market prices, currency rates, interest rates, equities and commodities.

The Trading Risk activities consist of client related trading activities as well as proprietary trading activities. They cover almost the full spectrum of instruments available on modern financial markets and are centred on the dealing room in Amsterdam. This dealing room reports to Brussels.

Risk Taking is based on a 3-pillar Merchant Bank Risk Structure: Risk Management Organisation, Risk Policies and Risk Decision Procedures. Independent risk management provides information about the Merchant Banking risk profile to the Merchant Banking Management Team, Merchant Banking Risk Committees and to Fortis Central Risk Management (FCRM), and to the Board of Fortis Bank Nederland with regard to positions legally owned by Fortis Bank Nederland. Integrated risk management systems are installed, to analyse and measure the variety of risk systematically.

Fortis Bank Nederland has set up limits to define the risk tolerance and to keep trading risk exposure under control. Several risk parameters exist, to cover all risk characteristics of exposures like position, Value-at-Risk, duration, Greeks, concentration and sensitivity limits. All limits are reviewed once a year linked to the average limit use, the past performance, the volatility of income and the new budget.

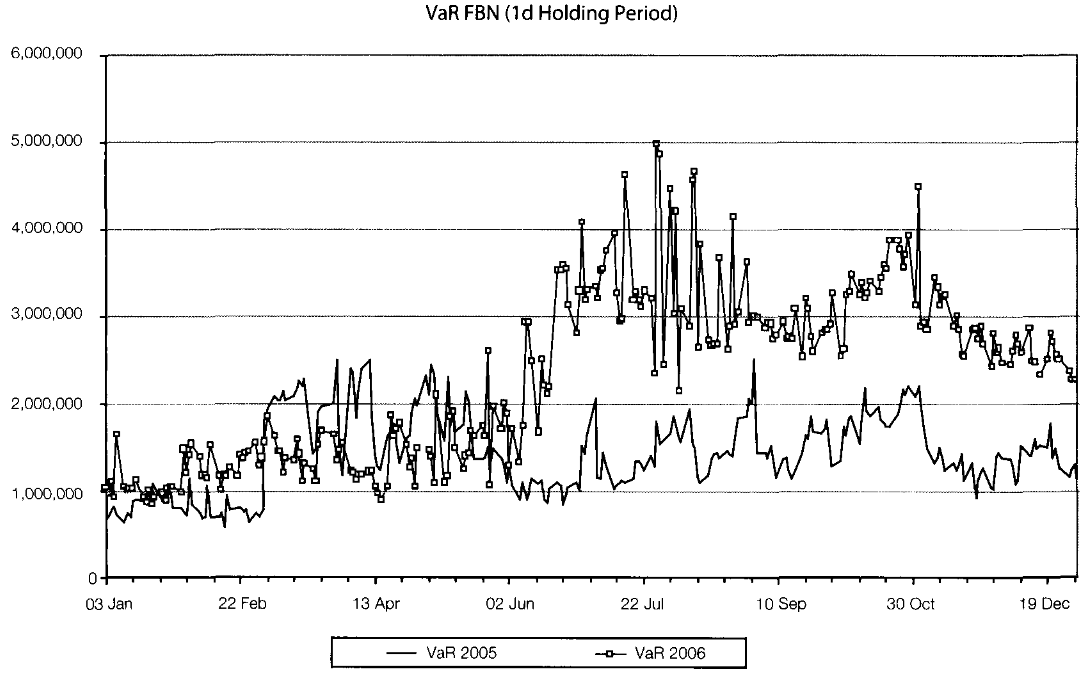
Risk information about all locations is centralised in one global system that allows to feed the Risk Management platform that measures risks cross locations in a consistent manner, taking all correlations between risk factors into account. The progressive integration of all dealing rooms goes along with the implementation of centralised Front-Office information technology systems.

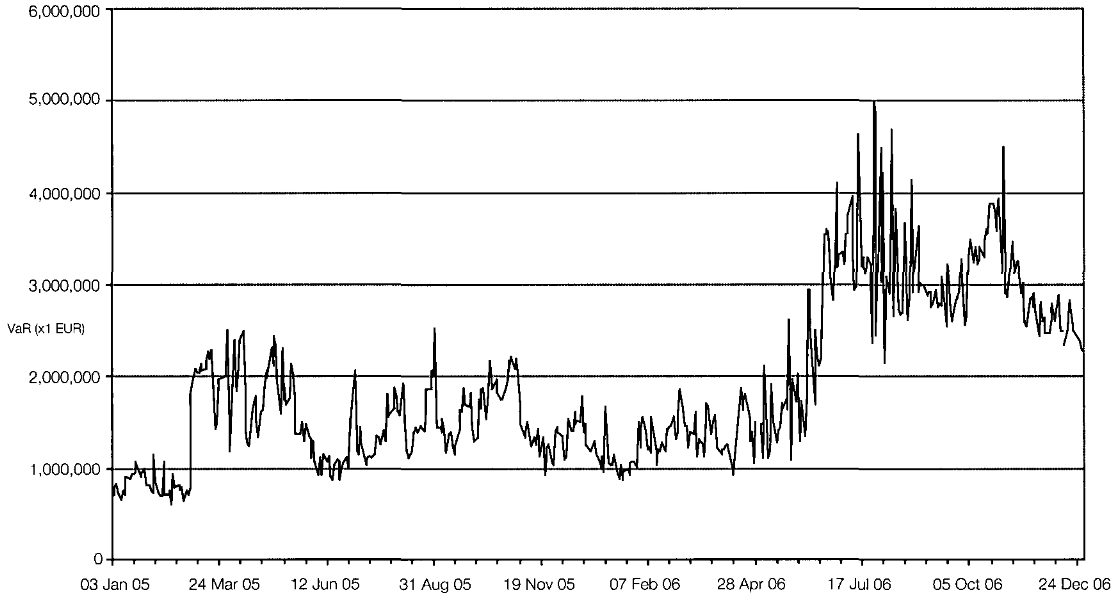
Trading Risk exposure

Fortis Bank Nederland applies a Historical Value-at-Risk to measure trading risk, which is calculated based on a holding period of one day and a reliability interval of 99%. This historical simulation methodology is based on the full repricing of all portfolios with a range of historically observed market data. As a result, it includes a full valuation of derivative positions and allows capturing non- linear effects present in option type products.

Graph: Value at Risk including all risk factors

1day VaR FBN 2005 – 2006, layered results





1d VaR FBN	2006	2005
Last	2.3	1.1
Maximum	5.0	2.5
Minimum	0.9	0.6
Average	2.3	1.4
# 1d VaR outliers	5	2
# 1d Profit VaR outliers	2	1
# Trading days	254	257

Value at Risk (VaR) measures the maximum potential overnight loss in adverse but normal market circumstances. At Fortis Bank Nederland VaR is defined as the expected maximum loss over a one-day holding period within a 99th percentile one-tailed confidence interval. The VaR is calculated by the TotalRisk application, using a full valuation historical simulation based on an observation period of 400 days.

The limits based on Value-at-Risk are completed by other limits in order to avoid building excessive positions in periods of low volatility.

Merchant Banking also uses stress testing to monitor trading risk under extreme market movements. The stress testing programme reports on the contribution of the main risk factors to the potential profit and loss variation for each historical or hypothetical scenario envisaged. This profit and loss figure is then detailed by the portfolio structure in place in Merchant Banking. When the stress testing results exceed the early warning signals, these results are considered as management action triggers.

The effectiveness of Value-at-Risk calculations is tested using 'back-testing', which compares the Value-at-Risk figure with the calculated Market-to-Market change using observed daily market data variation.

A yearly review of the number of days when the losses were greater than the estimated Value-at-Risk is performed. For the trading activities Fortis Bank Nederland applies a probability level of 99%, which means that the negative trading result may be greater than the Value-at-Risk only on one day per 100 days.

Liquidity Risk

Liquidity Risk Management

The Fortis Risk Committee (FRC) is responsible for monitoring liquidity risk across Fortis. The FRC delegates monitoring of liquidity risk within a defined liquidity limits framework, as follows:

- short and long term liquidity risk of the banking activities to the Asset and Liability Management Committee & Market Policy Committee
- liquidity risks of the insurance activities to the Insurance risk committee
- liquidity risk of the general activities to the Board of Fortis Finance NV.

Within Fortis Bank Nederland the monitoring is done by the Asset and Liability Management Committee FBN.

These risk acceptance committees designate one operational coordination team, the Liquidity and Funding Competence Centre that executes their decisions, coordinates the actions and organises the monitoring of the liquidity risk.

Within Fortis Bank Nederland, Merchant Banking is the lender of last resort which has ultimate access to the central banks or to professional financial markets. This lender has the final responsibility to fund all businesses and Fortis Bank Nederland entities. To support its role as final funding provider, Merchant Banking has created the Global Liquidity & Funding Team. This department is set up as an independent structure to maintain a diversified market access, to source and to procure liquidity & funding on behalf of Fortis Bank Nederland companies, whilst enhancing collateral value, with a view to optimise funding cost.

The basis principles of liquidity risk management are defined in a group wide liquidity policy. The primary goal of the policy is to ensure that Fortis Bank Nederland maintains sufficient cash and liquid assets to meet its current and future financial obligations at all times, in normal and in stressed circumstances, for every currency it has an exposure in, and for all its banking and holding companies, including special purpose vehicles.

The policy is implemented according to a number of guiding principles discussed hereafter that support the sound management of liquidity risk. As Fortis Bank Nederland considers liquidity as a scarce and important asset that must fit within a strategy of value creation, Fortis Bank Nederland does not want to implement a policy of maximisation (e.g. to be as liquid as possible) but a policy of optimisation. Its liquidity profile should endorse Fortis Bank Nederland's credit-worthiness but must also be seen as a contributor to profitability.

In order to implement the guidelines of its liquidity policy, Fortis Bank Nederland has created the Fortis Bank Nederland Liquidity Project. This has led to the creation of a liquidity contingency plan, a bank wide reporting on the contingent liquidity risk related to committed credit lines, an early warning system with swift communication channels that constantly monitors the funding capacity, funding price and the depth of the financial markets. Furthermore, Fortis Bank Nederland has conceived a framework with lending limits for its operating companies and subsidiaries in order to closely monitor the evolution of their liquidity profile and correspondent funding needs. Fortis Bank Nederland is creating an overall view on the structural liquidity profile and on the composition of the funding sources.

The Fortis Bank Nederland limit framework focuses on short and long term liquidity risk. Within Fortis Bank Nederland, ensuring adequate week and month liquidity as well as maintaining an acceptable profile for the longer maturities are important elements of liquidity management

The Liquidity Contingency Plan comes into force whenever the liquidity position of Fortis Bank Nederland is threatened by market-related or Fortis Bank Nederland-specific circumstances. Its goal is to manage the liquidity sources of Fortis Bank Nederland without endangering its business franchise while limiting excessive funding costs.
Each Fortis entity that has a window to the financial markets has a dual responsibility with respect to liquidity crisis management. This entity must be able to take responsibility for the crisis management of its local currency and, if appropriate and necessary, should contribute to group-wide liquidity crisis management. These entities must have their own liquidity contingency plan and their own local liquidity crisis committee, adapted to the specific features of local regulation, local convertible or non-convertible currencies and markets and specific business activities.

Exposure to funding sources
The deposits of the customers (retail, commercial, corporate) form a significant part of the primary funding sources of the banking activities. Current accounts and savings deposits of retail customers, although payable on demand or at short notice contribute in a significant way to the long term stability of the funding base. This stability depends on maintaining depositor confidence in Fortis Bank Nederland's solvency and sound liquidity management. Professional markets are accessed on a secured and unsecured basis to attract short term funding. Reliance on unsecured borrowing is limited by means of the short term limit system that puts a cap on the unsecured position gaps. The monitoring of the issuance of short and long term paper has been centralised and the access to the financial markets is coordinated by the Global Liquidity and Funding Team.

Additional tables on Risk Management

The tables below provide complementary information on interest rate sensitivity gaps, currency risk exposures and liquidity sensitivity gaps, based on data collected within the IFRS accounting framework and facilitating the reconciliation with the reported accounting figures.

Interest rate sensitivity gaps

Included in the table are all assets and liabilities at carrying value, classified by the earlier of contractual repricing or maturity date. The carrying amounts of derivatives, which are principally used to reduce Fortis Bank Nederland's exposure to interest rate changes, are in this table reported as 'Non-interest bearing financial instruments'.

The off-balance interest sensitivity gap over a given time period is the difference between the notional amounts to be received and the notional amounts to be paid for interest rate derivatives that mature or reprice during that period.

Interest rate risk

	Less than 1 month	1-3 months	3-12 months	1-5 years	over 5 years	no-maturity	Earlier of contractual repricing or maturity Total
At 31 December 2006							
Assets							
Fixed rate financial instruments	15,005	4,504	5,228	21,043	34,567	942	81,289
Variable rate financial instruments	7,128	3,606	899	1,020	16,742	67,880	97,275
Non-interest bearing financial instruments						25,851	25,851
Non-financial instruments						5,334	5,334
Total assets	22,133	8,110	6,127	22,063	51,309	100,007	209,749
Liabilities							
Fixed rate financial instruments	13,269	11,831	23,693	10,302	6,040	931	66,066
Variable rate financial instruments	6,454	15,831	150	309	4,735	69,167	96,646
Non-interest bearing financial instruments						32,934	32,934
Non-financial instruments						8,007	8,007
Total liabilities	19,723	27,662	23,843	10,611	10,775	111,039	203,653
On-balance interest sensitivity gap	2,410	(19,552)	(17,716)	11,452	40,534	(11,032)	6,096
Off-balance interest sensitivity gap	5,104	10,235	7,507	(6,307)	(17,696)	(9)	(1,166)
Total interest sensitivity gap	7,514	(9,317)	(10,209)	5,145	22,838	(11,041)	4,930

Currency risk exposures

The table below shows all assets and liabilities at carrying value, classified by currency.

Currency risk						
	EUR	GBP	USD	Yen	Other	Total
At 31 December 2006						
Assets						
Cash and cash equivalents	17,064	1,901	1,025	322	1,763	22,075
Assets held for trading	17,872	46	2,591		2,883	23,392
Due from banks	18,685	340	7,505	255	286	27,071
Due from customers	101,702	962	20,601	145	628	124,038
Investments - debt and equity securities	2,661	13	1,327		6	4,007
Investment property	3					3
Associates and joint ventures	906					906
Other receivables	1,906	180	260	58	516	2,920
Property and equipment	333	40	6		6	385
Goodwill and other intangible assets	200	16	7		5	228
Accrued interest and other assets	4,071	46	552	1	54	4,724
Total assets	165,403	3,544	33,874	781	6,147	209,749
Liabilities						
Liabilities held for trading	26,359	1,353	3,935	1	1,313	32,961
Due to banks	50,611	1,346	14,979	80	3,128	70,144
Due to customers	45,140	2,718	14,284	384	1,329	63,855
Liabilities arising from insurance and investment contracts						
Liabilities related to unit-linked contracts						
Debt certificates	25,344					25,344
Subordinated liabilities	2,402					2,402
Other borrowings	847	56				903
Provisions	90	1				91
Current and deferred tax liabilities	542	13			10	565
Accrued interest and other liabilities	6,125	199	800	35	229	7,388
Total liabilities	157,460	5,686	33,998	500	6,009	203,653
Net on-balancesheet position	**7,943**	**(2,142)**	**(124)**	**281**	**138**	**6,096**

Liquidity sensitivity gap

The table below shows Fortis Bank Nederland's assets and liabilities classified into relevant maturity groupings based on the remaining period to the contractual maturity date. Demand deposits, saving accounts and other assets and liabilities without stated maturity are reported in the column 'No maturity' and are considered by Fortis Bank Nederland as a relatively stable source of funding for its operation.

	Up to 1 month	1-3 months	3-12 months	1-5 years	over 5 years	no-maturity	Total
At 31 December 2006							
Assets							
Fixed rate financial							
Instruments	14.498	3.595	2.627	10.500	49.280	789	81.289
Variable rate financial							
Instruments	9.162	1.823	2.238	1.449	17.500	65.102	97.274
Non-interest bearing financial							
Instruments	14.929	994	657	662	1.202	7.408	25.852
Non-financial assets	1.120	223	387	542	396	2.666	5.334
Total assets	39.709	6.635	5.909	13.153	68.378	75.965	209.749
Liabilities							
Fixed rate financial							
instruments	13.527	11.848	23.705	8.890	7.170	927	66.067
Variable rate financial							
instruments	8.758	432	1.993	14.279	4.615	66.568	96.645
Non-interest bearing financial							
instruments	1.422	315	445	758	870	29.129	32.939
Non-financial liabilities	2.260	709	584	680	632	3.141	8.006
Total liabilities	25.967	13.304	26.727	24.607	13.287	99.765	203.653
Net liquidity gap	**13.742**	**(6.669)**	**(20.818)**	**(11.454)**	**55.091**	**(23.800)**	**6.096**

6. Supervision and solvency

As a financial institution, Fortis Bank Nederland is subject to prudential supervision by the Dutch Central Bank.

6.1 Supervision

Prudential supervision includes the verification on a monthly basis that Fortis Bank Nederland ensures the availability of own funds at least equal to the sum of the solvency requirements. The elements of own funds and the solvency requirements for the banking activities are calculated in accordance with the corresponding sectoral rules. Fortis Bank Nederland met all requirements in 2006, 2005 and 2004.

6.2 Solvency

The on- and off-balance sheet credit commitments and the bank's trading positions are weighted according to the level of risk involved (risk-weighted commitments). The minimum requirement for core capital (Tier I) is 4%, while total qualifying capital must be maintained at a minimum of 8% of risk-weighted commitments.

	Minimum	2006	2005	2004
Credit risk		66,564	63,023	53,284
Market risk		431	300	176
Risk weighted assets and commitments		66,995	63,323	53,460
Tier 1 ratio	4.0%	8.6%	8.5%	7.9%
Total capital ratio reported to Dutch Central Bank	8.0%	10.5%	10.5%	9.5%

7. Post-employment benefits and other long-term employee benefits

Post-employment benefits are employee benefits, such as pensions and post-employment medical care, which are payable after the completion of employment. Other long-term employee benefits are employee benefits which do not fall due wholly within twelve months after the period in which the employees render the related service, including jubilee premiums and long-term disability benefits.

7.1 Post-employment benefits

7.1.1 Defined benefit pension plans and other post-employment benefits

Fortis Bank Nederland operates defined benefit pension plans covering the majority of its employees. Some plans are funded partly by means of employee contributions.

Under these plans, benefits are based on years of service and level of salary. Pension obligations are determined on the basis of mortality, employee's turnover, wage drift and economic assumptions such as inflation and discount rate. Discount rates by country or region are set on the basis of the yield (at closing date) of debt securities of similar duration, issued by blue-chip companies or by government in the absence of a representative corporate market.

In addition to pensions, post-employment benefits also include other expenses such as reimbursement of part of the health insurance premiums and favourable conditions on financial products (e.g. mortgage loans), which continue to be granted to employees after retirement.

The following table provides details of the amounts shown in the balance sheet at 31 December regarding pension plans and other post-employment benefits. For presentation purposes liabilities are shown with a negative and assets with a positive sign.

	Defined benefit pension plans		Other post-employment benefits	
	2006	2005	2006	2005
Present value of funded obligations	(2,083)	(2,135)		
Present value of unfunded obligations			(59)	(302)
Defined benefit obligation	(2,083)	(2,135)	(59)	(302)
Fair value of plan assets	1,813	1,756		
	(270)	(379)	(59)	(302)
Unrecognised actuarial losses (gains)	(111)	117	(11)	33
Unrecognised past service cost	10	5		
Unrecognised assets due to asset ceiling				
Net defined benefit assets (liabilities)	(371)	(257)	(70)	(269)
Amounts in the balance sheet:				
Defined benefit liabilities	(374)	(257)	(70)	(269)
Defined benefit assets	3			
Net defined benefit assets (liabilities)	(371)	(257)	(70)	(269)

Defined benefit liabilities are classified under Accrued interest and other liabilities (see note 29) and Defined benefit assets are classified under Accrued interest and other assets (see note 21).

The following table reflects the changes in net-pension asset (liability) as recognised in the balance sheet

	Defined benefit pension plans		Other post-employment benefits	
	2006	2005	2006	2005
Net defined benefit assets (liabilities) at 1 January	(257)	43	(269)	(264)
Total defined benefit expense [1]	(61)	(91)	23	(11)
Contributions received [1]	143	(178)	8	5
Acquisitions of subsidiaries				
Divestments of subsidiaries				1
Transfer	(196)	(31)	168	
Other				
Net defined benefit assets (liabilities) at 31 December	(371)	(257)	(70)	(269)

[1] Changed for comparison purposes

The table below shows the changes in defined benefit obligation

	Defined benefit pension plans		Other post-employment benefits	
	2006	2005	2006	2005
Defined benefit obligation at 1 January	(2,135)	(1,992)	(301)	(289)
Current service cost	(60)	(80)	(4)	(9)
Participants' contributions				
Interest cost	(94)	(85)	(4)	(3)
Actuarial (gains) losses on defined benefit obligation	254	31	42	(6)
Benefits paid in year	55	27	6	5
Past service cost - non-vested benefits		(5)		
Acquisition and divestments of subsidiaries				1
Losses (gains) on curtailments			33	
Liabilities extinguished on settlements	87			
Transfer	(191)	(31)		
Foreign exchange differences	1			
Other			169	
Defined benefit obligation at 31 December	**(2,083)**	**(2,135)**	**(59)**	**(301)**

The following table shows the changes in fair value of plan assets.

		Defined benefit pension plans		Other post-employment benefits
	2006	2005	2006	2005
Fair value of plan assets as at 1 January	1,756	1,757		
Expected return on plan assets	80	76		
Actuarial gains (losses) on plan assets	(41)	128		
Employer's contributions	143	(178)	6	5
Benefits paid in year	(55)	(27)	(6)	(5)
Acquisitions and divestments of subsidiaries	2			
Assets distributed on settlements	(70)			
Foreign exchange differences	(2)			
Fair value of plan assets at 31 December	1,813	1,756		

The actuarial gains (losses) on plan assets are mainly the difference between the actual and the expected return.

The following table shows the actual return on assets.

		Defined benefit pension plans
	2006	2005
Actual return on plan assets	39	203

The following table shows the changes for the total of the unrecognised actuarial gain (losses) on liabilities and assets.

		Defined benefit pension plans		Other post-employment benefits
	2006	2005	2006	2005
Unrecognised actuarial gains (losses) at 1 January	(117)	(278)	(32)	(26)
Actuarial gains (losses) on defined benefit obligation	254	32	43	(6)
Actuarial gains (losses) on plan assets in year	(41)	129		
Amortisation of unrecognised actuarial (gains) losses	2			
Other	13			
Unrecognised actuarial gains (losses) at 31 December	111	(117)	11	(32)

Experience adjustments are the actuarial gains and losses that arise because of differences between the actuarial assumptions made at the beginning of the period and actual experience during the period.

The following table shows the components of the expenses concerning the defined benefit pension plans and other post-employment benefits.

	Defined benefit pension plans		Other post-employment benefits	
	2006	2005	2006	2005
Current service cost	(60)	(80)	(4)	(9)
Interest cost [1]	(94)	(84)	(4)	(2)
Expected return on plan assets	80	76		
Past service cost	(2)			
Amortisation of unrecognised				
actuarial gains (losses) on defined liabilities		(3)		
Amortisation of unrecognised				
actuarial gains (losses) from on assets				
(Losses) gains on curtailments and settlements	15		31	
Total defined benefit expense [1]	(61)	(91)	23	(11)

[1] Changed for comparison purposes

Total defined benefit expense contains all interest cost related to defined benefit pension plans. The 2006 and 2005 figures of the table above were changed for comparison purposes.

The following table provides the parameters applied.

	Defined benefit pension plans				Other post-employment benefits			
	2006		2005		2006		2005	
	Low	High	Low	High	Low	High	Low	High
Discount rate	4.7%	3.8%	4.2%	4.0%	4.2%	4.2%	4.2%	4.2%
Expected return on plan assets at 31 December	5.3%	5.3%	4.9%	4.9%				
Future salary increases (price inflation included)	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%
Future pension increases (price inflation included)	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.6%	1.6%
Medical cost trend rates					4.3%	4.3%	4.3%	4.3%

The plan assets comprise predominantly fixed income securities and investment contracts with insurance companies. Fortis Bank Nederland's internal investment policy stipulates that investment in derivatives and emerging markets for the funding of pension plans is to be avoided (with the exception of the Turkish plans). Fortis Bank Nederland intends to gradually adapt its asset allocation policy in the future in order to ensure a closer match between the duration of the assets and that of the pension liabilities. The asset mix of the plan assets is as follows:

Asset Category	2006	2005	2004
Equity securities	17%	22%	28%
Debt securities	72%	51%	62%
Real Estate	4%	2%	3%
Convertibles	3%	3%	2%
Other	4%	3%	3%
Cash	0%	19%	2%

The category other mainly consists of mortgage loans and high yield bonds. Investments in hedge funds are limited. Derivatives are used only to limit plans exposure to interest rate risk.

Pension plan assets are invested in global equity and debt markets.

To administer pension plan assets, Fortis Bank Nederland applies general guidelines about tactical asset allocation based on criteria such as geographical distribution and rating. In order to keep the investment strategy in balance with the structure of the pension benefit obligation, Asset Liability Management studies are carried out periodically. According to these guidelines and the results of the studies, the asset allocation is decided for each scheme at company level.

Pension plan assets comprise EUR 1 million (2005: EUR 1 million; 2004: EUR 1 million) investments in Fortis shares.

7.1.2 Defined contribution plans

Fortis Bank Nederland operates worldwide a number of defined contribution plans. The employer's commitment in a defined contribution plan is limited to the payment of contributions calculated in accordance with the plan regulations. Employer contributions for defined contribution plans amounted to EUR 41 million in 2006 (2005: EUR 29 million, 2004: EUR 24 million) and are classified as staff expenses (see note 39).

7.2 Other long-term employee benefits

Other long-term employee benefits include jubilee premiums and long-term disability benefits.
The table below shows liabilities related to other long-term employee benefits included in the balance sheet under Accrued interest and other liabilities (see note 29).

	2006	2005	2004
Present value of the obligation	21	38	38
Fair value of plan assets			
Net recognised obligations	21	38	38

The following table shows the changes during the year in liabilities for other long-term employee benefits.

	2006	2005
Net liability at 1 January	(38)	(38)
Total expense	(5)	(3)
Contributions received	3	3
Acquisitions and divestments of subsidiaries		
Transfer	19	
Net liability at 31 December	(21)	(38)

The table below provides the range of assumptions applied in calculating the liabilities for other long-term employee benefits:

		2006		2005
	Low	High	Low	High
Actuarial assumptions:				
Discount rate	2.9%	2.9%	3.8%	3.8%
Salary increase	1.8%	1.8%	2.4%	2.4%

Expenses related to other long-term employee benefits are shown below and classified as staff expenses (see note 39).

	2006	2005	2004
Current service cost	(2)	(1)	(1)
Interest expense	(1)		(2)
Expected return on plan assets			
Net actuarial losses (gains) recognised immediately	(2)	(2)	2
Past service costs recognised immediately			
Losses (gains) of curtailments or settlements			
Total	(5)	(3)	(1)

8. Employee share option and share purchase plans

Fortis uses share related instruments as part of the remuneration package for its employees and directors. These benefits take the form of:

- Employee share options
- Shares offered at a discount

8.1 Employee share options

Each year, Fortis decides whether it will offer options to its personnel. The last years Fortis has decided to offer options on Fortis shares to its senior managers in order to strengthen their commitment to Fortis and to align their interests. The features of the option plans may vary from country to country depending upon local tax regulations. One distinction is made between conditional and unconditional options. Unconditional options are granted to employees who work in countries where the options are subject to taxation directly upon being granted. Conditional options are granted to employees in countries where the options are taxed after the options are exercised. In most cases conditional options become vested when the employee is still employed after a period of 5 years. In general, options may only be exercised five years after the grant date, regardless of whether they are conditional or unconditional.

Within the overall framework of Fortis also senior managers of Fortis Bank Nederland were offered options on Fortis shares.

On 31 December 2006 the following option plans, including options granted to the Executive Board, were outstanding to employees of Fortis Bank Nederland:

				2006
Lapsing year	Outstanding options (in '000)	Weighted average exercise price (in EUR)	Highest exercise price (in EUR)	Lowest exercise price (in EUR)
2007	24	34.70	37.57	18.60
2008	74	31.58	34.70	25.18
2009	434	32.03	38.40	14.86
2010	29	34.70	34.70	18.29
2012	8	25.18	31.75	25.18
2013	523	14.86	14.86	14.54
2014	564	18.29	18.29	17.66
2015	612	22.28	22.28	21.99
2016	711	29.48	29.48	29.25
Total	**2,979**	**23.82**		

				2005
Lapsing year	Outstanding options (in '000)	Weighted average exercise price (in EUR)	Highest exercise price (in EUR)	Lowest exercise price (in EUR)
2006	20	29.81	38.40	29.81
2007	24	34.70	37.57	18.60
2008	82	24.23	34.70	25.18
2009	541	25.45	38.40	14.86
2010	30	34.70	34.70	18.29
2011	1	25.18	25.18	22.28
2012	8	26.92	31.75	25.18
2013	510	14.86	14.86	14.54
2014	553	18.29	18.29	17.66
2015	605	22.28	22.28	21.99
Total	2,374	20.91		

The changes in outstanding options were as follows:

	Number of options (in '000)	2006 Average exercise price (in EUR)
Balance 1 January	2374	20.91
Options granted to other employees	732	29.32
Exercised options	(123)	
Lapsed	(4)	
Balance 31 December	2,979	23.82

The options granted by Fortis are 10-year American at-the-money call options with a 5-year vesting period which are valued based on the Simple Cox model. The parameters below were used to calculate the fair value of the options granted.

	2006	2005	2004
Date of grant of options	31 March 2006	11 April 2005	12 April 2004
First exercise date	03 April 2011	11 April 2010	13 April 2009
Final maturity	03 April 2016	10 April 2015	12 April 2014
Dividend yield	5,13%	5.00%	5.06%
10 year interest rate	3,74%	3.80%	4.02%
Share price on date of grant	29,48	21.84	18.29
Volatility	24,80%	23.27%	25.60%
Fair value of options as % of exercise price	16,01%	15.36%	17.02%

All option plans and restricted share plans (see below) are settled by the delivery of Fortis shares rather than in cash. A number of option plans and restricted share plans specifically state that upon exercise, existing shares must be delivered; for the other plans, new shares may be issued.

8.2 Shares offered to staff

In 2002, 2003 and 2004 Fortis offered its staff, including the staff of Fortis Bank Nederland, the opportunity to buy shares at a discount. The terms of the offer varied from country to country, depending on the features of the local tax regulations. However, in all cases shares can not be sold during the first five years after purchase. In 2005 and 2006 no shares were offered to staff.

The following table gives an overview of the shares allocated to staff of Fortis Bank Nederland at a discount:

(number of shares in '000)	2004	2003	2002
Number of shares subscribed	234	2,828	237
Share price	15.64	12.04	22.03
End of holding period	2 November 2009	3 November 2008	8 June 2007

9. Remuneration of Executive Board and Supervisory Board

In 2006 the remuneration, including pension costs, of current and former members of the Executive Board payable by Fortis Bank Nederland was EUR 4.6 million (total remuneration of current and former members was EUR 3.0 million in 2005 and EUR 3.6 million in 2004).

In 2006 the number of options granted to the executive board was 40,000 (2005: 37,500 and 2004 : 37,500). The strike price of these options was 29.48 (2005: 22.28 and 2004: 18.29).

The remuneration of members of the Supervisory Board of Fortis Bank Nederland was EUR 0.4 million (2005: EUR 0.4 million and 2004: EUR 0.4 million). The remuneration of the members of the Supervisory Board in 2004 was borne partly by Fortis

10. Audit fees

Fees paid to Fortis Bank Nederland's auditors for 2006, 2005 and 2004 can be broken down into the following components:

- Audit fees include fees for auditing the statutory and consolidated financial statements, and quarterly and other reports
- Audit related fees include fees for work performed on prospectuses, non-standard auditing and advisory services not related to statutory auditing
- Fees for tax advice
- Other non-audit fees include fees for support and advice on acquisitions.

The breakdown of the audit fees for the year ended 31 December is as follows:

	2006	2005	2004
Audit fees	5	5	5
Audit-related fees	1	1	1
Tax fees			1
Other non-audit fees		1	2
Total	**6**	**7**	**9**

11. Related parties

Related parties to Fortis Bank Nederland include Fortis companies not within the scope of Fortis Bank Nederland, associates, pension funds, joint ventures, Executive Board, Supervisory Board, close family members of any individual referred to above, entities controlled or significantly influenced by any individual referred to above and other related entities.

As part of its business operations Fortis Bank Nederland frequently enters into transactions with related parties. Such transactions mainly relate to loans, deposits and reinsurance contracts and are entered into on the basis of the same commercial and market terms that apply to non-related parties.

The remuneration of the Executive Board and the Supervisory Board is described in note 9.

Total outstanding loans and advances to members of the Executive Board of Fortis Bank Nederland amounts to EUR 2.8 million (2005: EUR 2.5 million and 2004: EUR 2.1 million)
The outstanding loans and advances to members of the Executive Board and the Supervisory Board consist in principle of consumer mortgages. These loans and advances have been granted under normal personnel Conditions or Client Conditions.

Credits, loans or bank guarantees in the normal course of business may be granted by Fortis Bank Nederland companies to Executive Managers or to close family members of the Board members and close family members of Executive Managers. At 31 December, there were no outstanding credits, loans or bank guarantees, other than the ones in the normal course of business noted above.

The following table provides an overview of the transactions entered into with the following related parties for the year ended 31 December:

- Fortis companies not within scope Fortis Bank Nederland
- associates
- joint ventures
- other related parties such as pension funds and significant minority shareholders in associates.

	2006	2005
Interest income	3,140	1,906
Interest expense	(4,827)	(3,067)
Fee and commission income	62	31
Fee and commission expense	(33)	(14)
Dividend and other investment income	25	25
Realised /unrealised gains (losses)	847	(595)
Other income	99	49
Operating, administrative and other expenses	(74)	(56)

	2006	2005
	Total	Total
Balance sheet - Related parties		
Investments	1,094	164
Cash and cash equivalents	17,343	8,073
Assets held for trading	2,498	2,116
Due from banks	4,864	2,456
Due from customers	9,579	7,726
Other assets	986	3,618
Liabilities held for trading	957	1,640
Due to banks	48,521	44,610
Due to customers, policyholder account balances and other funds on deposit	11,707	6,339
Debt certificates, subordinated liabilities and other borrowings	1,533	4,047
Other liabilities	1,956	2,331

12. Information on segments

Fortis Bank Nederland is an international financial services provider active in the field of banking. The primary format for reporting information is based on business segments. The company operates in geographical areas that are subject to differing rates of profitability, opportunities for growth, future prospects and risk.
As such, Fortis Bank Nederland is organised on a world-wide basis into three business segments:

- Retail Banking
- Merchant Banking
- Commercial & Private Banking

Fortis Banks Nederland's segment reporting reflects the full economic contribution of the segments within Fortis Bank Nederland. The aim is direct allocation to the segments of all balance sheet and income statement items for which the segments have full management responsibility.

Segment information is prepared based on the same accounting principles as those used in preparing and presenting Fortis Bank Nederland's consolidated financial statements (as described in note 1) and by applying appropriate allocation rules.

Transactions between the different segments are executed under standard commercial terms and conditions ('at arm's length').

12.1 Banking

Retail Banking
Retail Banking provides financial services to retail customers, independent professions and small sized enterprises. In the Benelux countries, Fortis Bank Nederland offers advice on all forms of daily banking, saving, investment, credit and insurance through a variety of distribution channels. Fortis Bank Nederland also provides retail banking services in France, Poland and Turkey.

Merchant Banking
Merchant Banking offers financial solutions composed of a comprehensive range of wholesale products to corporate and institutional clients. Merchant Banking also offers expertise in niche markets with a regional or global scope.

Commercial & Private Banking
Commercial & Private Banking offers worldwide integrated services and solutions for asset and liability management to high net worth private clients and their businesses as well as to corporate clients and their advisers. Medium sized enterprises are served by a uniform product and service offering, with the same range of cross border products, services and specialisms, at the network of Business Centres throughout Europe.

Other banking
Balance sheet items, revenues and costs for support functions, operations and Asset and Liability Management (ALM) are reported in this section. The figures reported are those after allocation to the commercial segments.
Fortis Hypotheek Bank is reported under this section.

Allocation rules
Segment reporting within the banking segments makes use of balance sheet allocation rules, balance sheet squaring mechanisms, a fund transfer pricing system, rebilling of support and operations expenses and overhead allocation.

The balance sheet allocation and squaring methodology aim at reporting information on segments to reflect Fortis Bank Nederland's business model.

Under Fortis Bank Nederland's business model, segments do not act as their own treasurer in bearing the interest rate risk and the foreign exchange risk by funding their own assets with their own liabilities, or by having direct access to the financial markets. This is reflected in the fund transfer pricing system, which removes the interest and currency risks by transferring them from the segments to the central banker. A key role in this system is attributed to Asset and Liability Management (ALM). The results of ALM are allocated to the segments based on the economic capital used and the interest margin generated within the segment.

Support and operations departments provide services to the segments. These services include human resources, information technology, payment services, settlement of security transactions and ALM. The costs and revenues of these departments are charged to the segments via a rebilling system on the basis of service level agreements (SLAs) reflecting the economic consumption of the products and services provided. The SLAs ensure that the costs and revenues are charged based on actual use and at a fixed rate. Differences between the actual costs and the rebilled costs based on standard tariffs are passed through to the three segments in a final allocation.

12.2 Balance sheet of banking segments

	Retail Banking	Merchant Banking	Commercial & Private Banking	Other Banking	Eliminations	31 December 2006 Total Banking
Assets						
Cash and cash equivalents	10,020	54,556	1,545	85,016	(129,062)	22,075
Assets held for trading		22,068	45	1,309	(29)	23,393
Due from banks	27,837	118,435	28,776	140,800	(288,777)	27,071
Due from customers	34,467	47,196	21,033	69,576	(48,233)	124,039
Investments:						
- Held to maturity				33		33
- Available for sale		1,456	193	3,843	(1,697)	3,795
- Held at fair value through profit or loss		179				179
- Investment property				6	(3)	3
- Associates and joint ventures	2	861		43		906
	2	2,496	193	3925	(1700)	4,916
Other receivables	4	1,167	1,729	39	(19)	2,920
Property and equipment	3	11	46	592	(267)	385
Goodwill and other intangible assets		7	209	24	(12)	228
Accrued interest and other assets	516	2,284	390	3,343	(1,810)	4,723
Total assets	72,849	248,220	53,966	304,624	(469,910)	209,749
Liabilities						
Liabilities held for trading		32,297	44	627	(7)	32,961
Due to banks	50,025	180,923	28,128	220,897	(409,829)	70,144
Due to customers	21,613	31,366	23,348	43,670	(56,141)	63,856
Debt certificates	103	45	107	26,904	(1,815)	25,344
Subordinated liabilities	35	251	216	2,621	(721)	2,402
Other borrowings	4	54	193	652		903
Provisions	15	28	32	50	(34)	91
Current and deferred tax liabilities	55	268	38	203	1	565
Accrued interest and other liabilities	999	2,988	1,860	2,903	(1,364)	7,386
Total liabilities	72,849	248,220	53,966	298,527	(469,910)	203,652
Issued capital and reserve				5,910		5,910
Minority interests				187		187
Total equity				6,097		6,097
Total liabilities and equity	72,849	248,220	53,966	304,624	(469,910)	209,749

	Retail Banking	Merchant Banking	Commercial & Private Banking	Other Banking	Eliminations	31 December 2005 Total Banking
Assets						
Cash and cash equivalents	8,628	8,372	4,947	24,446	(32,885)	13,508
Assets held for trading		15,504	22	1,484	(6)	17,004
Due from banks	23,891	54,157	25,723	39,861	(126,369)	17,263
Due from customers	49,139	46,568	18,785	45,054	(50,771)	108,775
Investments:						
- Held to maturity						
- Available for sale		4,004	220	2,528	(11)	6,741
- Held at fair value through profit or loss		153				153
- Investment property				4		4
- Associates and joint ventures		776	2	42		820
		4,933	222	2,574	(11)	7,718
Other receivables	11	1,077	1,554	16	(17)	2,641
Property and equipment	3	10	33	273		319
Goodwill and other intangible assets			126	13		139
Accrued interest and other assets	541	1,603	289	1,471	(400)	3,504
Total assets	82,213	132,224	51,701	115,192	(210,459)	170,871
Liabilities						
Liabilities held for trading		20,337	22	847	(14)	21,192
Due to banks	50,564	76,927	28,817	74,766	(172,474)	58,600
Due to customers	28,603	24,780	21,063	4,749	(27,577)	51,618
Debt certificates	207	218	134	19,233	(424)	19,368
Subordinated liabilities	33	290	231	2,349	(808)	2,095
Other borrowings		65	165	4,114	(9)	4,335
Provisions	28	40	33	44	(13)	132
Current and deferred tax liabilities	67	177	28	(22)		250
Accrued interest and other liabilities	2,711	9,390	1,209	3,322	(9,139)	7,493
Total liabilities	82,213	132,224	51,702	109,402	(210,458)	165,083
Issued capital and reserve				5,613		5,613
Minority interests				175		175
Total equity				5,788		5,788
Total liabilities and equity	82,213	132,224	51,702	115,190	(210,458)	170,871

	Retail banking	Merchant banking	Commercial & Private Banking	Other Banking	Eliminations	31 December 2004 Total Banking
Assets						
Cash and cash equivalents	4,337	19,562	6,724	25,140	(35,717)	20,046
Assets held for trading		13,454	35	2,900	(119)	16,270
Due from banks	20,026	113,594	3,774	61,446	(177,185)	21,655
Due from customers	22,575	35,214	18,681	30,204	(9,150)	97,524
Investments:						
- Held to maturity						
- Available for sale		2,965	60	4,310		7,335
- Held at fair value through profit or loss		143				143
- Investment property				4		4
- Associates and joint ventures		690	1	45		736
		3,798	61	4,359		8,218
Other receivables	1	22	994	73	(8)	1,082
Property and equipment	1	9	35	279		324
Goodwill and other intangible assets			80	7	(1)	86
Accrued interest and other assets	266	1,829	348	2,123	(150)	4,416
Total assets	47,206	187,482	30,732	126,531	(222,330)	169,621
Liabilities						
Liabilities held for trading		16,431	35	3,422	(117)	19,771
Due to banks	33,750	153,011	12,130	109,524	(238,810)	69,605
Due to customers	12,559	15,896	17,794	6,868	(5,837)	47,280
Debt certificates	211	45	143	17,911		18,310
Subordinated liabilities	31	561	22	1,128	(25)	1,717
Other borrowings		890	217	1,842	(18)	2,931
Provisions	26	45	11	59		141
Current and deferred tax liabilities	28	123	26	391		568
Accrued interest and other liabilities	601	480	354	(18,695)	22,477	5,217
Total liabilities	47,206	187,482	30,732	122,450	(222,330)	165,540
Issued capital and reserve				3,915		3,915
Minority interests				166		166
Total equity				4,081		4,081
Total liabilities and equity	47,206	187,482	30,732	126,531	(222,330)	169,621

12.3 Income statement of banking segments

2006	Retail banking	Merchant banking	Commercial & Private banking	Other banking	Total Banking
Income					
Interest income	3,288	5,641	1,705	2,898	13,532
Interest expense	(2,548)	(5,455)	(1,269)	(2,803)	(12,075)
Net interest income	740	186	436	95	1,457
Fee and commission income	153	347	423	34	957
Fee and commission expense	(31)	(28)	(21)	(31)	(111)
Net fee and commission income	122	319	402	3	846
Dividend, share in result of associates and joint ventures and other investment income	1	21	1	7	30
Realised capital gains (losses) on investments		11	3	83	97
Other realised and unrealised gains and losses	9	531	14	330	884
Other income	268	66	125	(300)	159
Total income	1,140	1,134	981	218	3,473
Change in impairments	(59)	38	(32)	(17)	(70)
Net revenues	1,081	1,172	949	201	3,403
Expenses					
Staff expenses	(168)	(207)	(251)	(222)	(848)
Depreciation and amortisation of tangible and intangible assets	(1)	(5)	(8)	(49)	(63)
Other expenses	(174)	(126)	(148)	(395)	(843)
Allocation expense	(240)	(137)	(120)	497	
Total expenses	(583)	(475)	(527)	(169)	(1,754)
Profit before taxation	498	697	422	32	1,649
Income tax expense	(189)	(142)	(132)	(9)	(472)
Net profit for the period	309	555	290	23	1,177
Net profit attributable to minority interests		2		18	20
Net profit attributable to shareholders	309	553	290	5	1,157

					2005
	Retail banking	Merchant banking	Commercial & Private banking	Other banking	Total Banking
Income					
Interest income	1,206	6,071	564	1,052	8,893
Interest expense	(465)	(5,804)	(195)	(819)	(7,283)
Net interest income	742	267	369	233	1,610
Fee and commission income	162	318	385	(13)	852
Fee and commission expense	(29)	(51)	(23)	(1)	(104)
Net fee and commission income	133	267	362	(14)	748
Dividend, share in result of associates and joint ventures and other investment income	1	65	6	8	80
Realised capital gains (losses) on investments	55	78	25	3	161
Other realised and unrealised gains and losses	122	327	57	(19)	487
Other income	10	14	26	16	66
Total income	1,063	1,018	845	227	3,153
Change in impairments	(65)	56	(20)	(33)	(62)
Net revenues	998	1,074	825	194	3,091
Expenses					
Staff expenses	(186)	(244)	(251)	(242)	(923)
Depreciation and amortisation of tangible and intangible assets					
Other expenses	(143)	(109)	(121)	(349)	(722)
Allocation expense	(255)	(134)	(131)	520	
Total expenses	(584)	(487)	(503)	(71)	(1,645)
Profit before taxation	414	587	322	123	1,446
Income tax expense	(132)	(97)	(92)	(56)	(377)
Net profit for the period	282	490	230	67	1,069
Net profit attributable to minority interests		3		17	20
Net profit attributable to shareholders	282	487	230	50	1,049

2004	Retail banking	Merchant banking	Commercial & Private banking	Other banking	Total Banking
Income					
Interest income	1,987	2,858	1,004	1,793	7,642
Interest expense	(1,389)	(2,614)	(676)	(1,525)	(6,204)
Net interest income	598	244	328	268	1,438
Fee and commission income	86	307	301	103	797
Fee and commission expense	(13)	(61)	(18)	(22)	(114)
Net fee and commission income	73	246	283	81	683
Dividend, share in result of associates and joint ventures and other investment income	1	41	1	30	73
Realised capital gains (losses) on investments	64	32	29	(13)	112
Other realised and unrealised gains and losses	(161)	144	(56)	(55)	(128)
Other income	8	33	30	(11)	60
Total income	583	740	615	300	2,238
Change in impairments	(60)	41	(15)	5	(29)
Net revenues	523	781	599	306	2,209
Expenses					
Staff expenses	(161)	(201)	(182)	(250)	(794)
Depreciation and amortisation of tangible and intangible assets					
Other expenses	(70)	(121)	(116)	(484)	(791)
Allocation expense	(248)	(131)	(121)	500	
Total expenses	(479)	(453)	(419)	(234)	(1,585)
Profit before taxation	44	328	180	72	624
Income tax expense	(25)	(60)	(47)	(57)	(189)
Net profit for the period	19	268	133	15	435
Net profit attributable to minority interests		1	1	17	19
Net profit attributable to shareholders	19	267	132	(2)	416

12.4 Geographic segmentation

Fortis Bank Nederland's activities are managed worldwide. The table below shows the key figures based on the incorporation of the Fortis Bank Nederland company who has entered into the transaction.

	Net Profit	Total income	Number of employees	Total assets
31 December 2006				
Benelux	946	2,894	7,967	182,800
Other European countries	140	408	1,262	21,422
Asia	36	91	414	3,995
Other countries	35	80	306	1,532
Total	1,157	3,473	9,949	209,749

	Net Profit	Total income	Number of employees	Total assets
31 December 2005				
Benelux	895	2,694	7,571	156,837
Other European countries	101	327	1,162	10,031
Asia	28	66	341	2,438
Other countries	25	66	385	1,565
Total	1,049	3,153	9,459	170,871

	Net Profit	Total income	Number of employees	Total assets
31 December 2004				
Benelux	329	1,888	7,746	160,165
Other European countries	42	218	745	6,118
Asia	20	57	278	1,615
Other countries	25	75	635	1,723
Total	416	2,238	9,404	169,621

Notes to the balance sheet

13. Cash and cash equivalents

Cash includes cash on hand, available balances with central banks and other financial instruments with a term of less than three months from the date on which they were acquired. At 31 December the composition of cash is as follows:

	2006	2005	2004
31 December			
Cash on hand	119	119	107
Balances with central banks, other than mandatory reserve deposits and readily			
convertible in cash	63	1,136	1,055
Due from banks	17,782	4,733	17,033
Due from customers, current accounts	3,462	5,523	
Other	649	1,997	1,851
Total	22,075	13,508	20,046
Less: impairments incurred but not reported (IBNR)			
Total	22,075	13,508	20,046

The average book value of cash and cash equivalents for 2006 amounted to EUR 13,767 million (2005: EUR 19,385 million; 2004: EUR 23,767 million). The average yield in 2006 was 2.24% (2005: 1.33%; 2004: 0.61%).

14. Assets held for trading and liabilities held for trading

Assets held for trading

The following table provides a specification of the assets held for trading as on 31 December.

	2006	2005	2004
Debt securities:			
- Corporate debt securities	180	1,408	1,162
Equity securities	19,017	11,266	11,243
Total trading securities	19,197	12,674	12,405
Derivative s held for trading			
Over the counter (OTC)	4,180	4,327	3,659
Exchange traded	15	3	4
Other			182
Total derivatives held for trading	4,195	4,330	3,845
Other assets held for trading	1		20
Total assets held for trading	23,393	17,004	16,270
Fair values of trading securities supported by observable market data	19,197	12,625	12,405
Fair values of trading securities obtained through a valuation technique		49	
Total	19,197	12,674	12,405

Liabilities held for trading

The table below shows the composition of liabilities held for trading at 31 December.

	2006	2005	2004
Short security sales:			
- fair value supported by observable market data	29,756	18,215	14,499
- fair value obtained through a valuation technique	1	1	
Other liabilities held for trading		14	22
Derivatives held for trading	3,204	2,962	5,250
Total	32,961	21,192	19,771

The details of the derivative financial instruments are shown in note 30 'Derivatives'. For details on the calculation of the fair values see note 31 'Fair values of financial assets and financial liabilities'.

15. Due from banks

Due from banks consists of the following at 31 December:

	2006	2005	2004
31 December			
Interest-bearing deposits	4,345	2,666	9,913
Loans and advances	769	657	1,052
Securities lending transactions	21,129	13,785	9,828
Mandatory reserve deposits with central banks	829	115	
Other		42	864
Total	27,072	17,265	21,657
Less impairments:			
- specific credit risk			
- incurred but not reported (IBNR)	(1)	(2)	(2)
Due from banks	27,071	17,263	21,655

The average carrying amount of Due from banks in 2006 was EUR 28,027 million (2005: EUR 23,622 million; 2004: EUR 20,305 million).

In accordance with monetary policy, the various banking businesses are required to place amounts on deposit with the central banks in the countries where Fortis Bank Nederland operates. Together with the amount that is reported under Cash and cash equivalents, the total balance held with central banks came to EUR 893 million at year end 2006 (2005: EUR 1,251 million, 2004: EUR 1,055 million). The average outstanding balance with central banks (Cash and cash equivalents plus Due from banks) during 2006 amounted to EUR 1,062 million (2005: EUR 1,248 million, 2004: EUR 804 million).

Impairments of due from banks

The changes in the impairments of due from banks are as follows:

		2006		2005		2004
	Specific credit risk	IBNR	Specific credit risk	IBNR	Specific credit risk	IBNR
Balance 1 January		2		2		2
Increase in impairments		2		1		
Release of impairments		(3)		(1)		
Balance 31 December		1		2		2

In note 5 'Risk Management' are the impairments for specific credit risk and 'incurred but not reported' (IBNR) described in more detail.

16. Due from customers

The composition of due from customers at 31 December is as follows:

	2006	2005	2004
31 December			
Government and official institutions	1,576	1,478	1,156
Residential mortgage	60,682	54,906	49,452
Consumer loans	4,892	4,541	4,522
Commercial loans	32,444	30,727	24,867
Securities lending transactions	23,493	16,035	16,965
Finance lease receivables	288	239	208
Factoring	1,532	1,181	894
Other loans	40	88	112
Held at fair value through profit or loss	4	1	
Fair value adjustment from hedge accounting	(451)	111	
Total	124,500	109,307	98,176
Less impairments:			
- Specific credit risk	(390)	(453)	(572)
- incurred but not reported (IBNR)	(72)	(79)	(80)
Net due from customers	124,038	108,775	97,524

In 2006 the average amount of Due from customers was EUR 117,248 million (2005: EUR 105,080 million; 2004: EUR 87,143 million). The average yield in 2006 was 5.5% (2005: 5.0%; 2004: 4.6%).

Fortis Bank Nederland has in the Merchant Banking segment, designated financial assets part of 'Due from customers at fair value through profit or loss'. Selected products that are hedged by derivatives are designated at fair value through profit or loss, eliminating an accounting mismatch between the measurement of the derivatives involved and the products recorded at amortised cost.

Some other structured loans and contracts coupled with derivatives are also designated at fair value through profit or loss, eliminating an accounting mismatch.
Furthermore, Fortis Bank Nederland hedges interest rate exposure of fixed rate mortgages on a portfolio basis (macro hedging), using derivative financial instruments, primarily interest rate swaps.

As a result of the hedge, the economic impact of changes in the hedged item's net present value (NPV), due to changes in the appropriate benchmark interest rate curve will be reduced by offsetting changes in the NPV of the hedging derivative financial instrument.

The hedged mortgages are prepayable fixed rate mortgages with the following characteristics:
- denominated in local currency (euro)
- fixed term to maturity or repricing
- prepayable amortising principal amounts
- fixed interest payment dates
- not containing any interest rate options or embedded derivatives
- accounted for on an amortised cost basis.

Mortgages with these characteristics form the portfolio of mortgages from which the hedged item is designated. More than one group (or portfolio) of mortgages can be identified as the hedged item within the fixed rate mortgage portfolio. Mortgages included in a portfolio hedge of interest rate risk need to share the risk being hedged. The expected mortgage cash flows within the identified group of mortgages, designated as the hedged item, are derived to match the amount of notional swap cash flows on a monthly basis.

When notional swap cash flows exceed 95% of expected mortgage cash flows in any given month the expected mortgage cash flows from months either side of swap cash flow are designated as hedged items until all notional swap cash flows are matched. Mortgage cash flows are allocated to monthly time buckets based on expected repricing dates. Fortis Bank Nederland estimates repricing dates using a constant prepayment rate which is applied to the contractual cash flows and repricing dates of the mortgage portfolio.

The hedging instruments are plain vanilla interest rate swaps entered into with external counterparties at market rates prevailing at the time of the transaction.

The changes in the fair value of the mortgages which are attributable to the hedged interest rate risk are recorded in the line 'Fair value adjustment from hedge accounting' in order to adjust the carrying amount of the loan. The difference between the fair value and the carrying value of the hedged mortgages at designation of the hedging, is amortised over the remaining life of the hedged item and is also recorded in the line 'Fair value adjustment from hedge accounting'.

Financial lease receivables

Receivables related to financial lease agreements at 31 December were comprised of:

			Minimum lease payments			Present value of the minimum lease payments receivable
	2006	2005	2004	2006	2005	2004
Gross investment in finance leases:						
Not later than 3 months	20	20	20	20	14	8
Later than 3 months and not later than 1 year	33	41	72	32	28	43
Later than 1 year and not later than 5 years	200	187	200	173	143	145
Later than 5 years	63	65	11	63	54	12
Total	316	313	303	288	239	208
Unearned finance income	28	74	95			

Impairments of due from customers

The following table shows the changes in the impairments of Due from customers:

		2006		2005
	Specific credit risk	IBNR	Specific credit risk	IBNR
Balance 1 January	453	79	572	80
Acquisitions/divestments of Subsidiaries				
Increase in impairments	199	21	209	9
Release of impairments	(127)	(28)	(155)	(10)
Write-offs of uncollectible Loans	(124)		(146)	(1)
Foreign exchange differences and other adjustments	(11)		(28)	2
Balance 31 December	390	72	453	79

In note 5 'Risk Management' are the impairments for specific credit risk and 'incurred but not reported' (IBNR) described in more detail.

17. Investments

The composition of investments at 31 December is as follows.

	2006	2005	2004
31 December			
Investments			
- Held to maturity	33		
- Available for sale	3,798	6,743	7,343
- Held at fair value through profit or loss	179	153	142
- Investment property	3	4	4
- Associates and joint ventures	906	820	737
Total, gross	4,919	7,720	8,226
Impairments:			
- on investments held to maturity			
- on investments available for sale	(3)	(2)	(8)
- on investment property			
- on investments in associates and joint ventures			
Total impairments	(3)	(2)	(8)
Total	4,916	7,718	8,218

17.1 Investments held to maturity

		2006		2005		2004
	Carrying amount	Fair values	Carrying amount	Fair values	Carrying amount	Fair values
Government bonds	33	33				
Corporate debt securities						
Total investments held at maturity	33	33				

17.2 Investments available for sale

The fair value and amortised cost of Fortis Bank Nederland's investments available for sale including gross unrealised gains and gross unrealised losses at 31 December were as follows:

	Historical/ amortised cost	Gross positive revaluations	Gross negative revaluations	Impairments	Fair values
31 December 2006					
Treasury bills and other eligible bills	4				4
Government bonds	1,885	44			1,929
Corporate debt securities	1,606	1			1,607
Other asset-backed securities					
Private equities and venture capital	67	7	(1)	(3)	70
Equity securities	5	7			12
Other investments	77	96			173
Total	3,644	155	(1)	(3)	3,795
31 December 2005					
Treasury bills and other eligible bills					
Government bonds	2,039	123	(1)		2,161
Corporate debt securities	4,180	4	(2)		4,182
Other asset-backed securities	2				2
Private equities and venture capital	59	15	(1)	(1)	72
Equity securities	5	6	(4)		7
Other investments	183	135		(1)	317
Total	6,468	283	(8)	(2)	6,741
31 December 2004					
Treasury bills and other eligible bills					
Government bonds	4,151	195			4,346
Corporate debt securities	2,621	7			2,628
Other asset-backed securities	114	2			116
Private equities and venture capital	60	19		(6)	73
Equity securities	12	5			17
Other investments	142	15		(2)	155
Total	7,100	243		(8)	7,335

Net unrealised gains and losses on available for sale investments included in equity

	2006	2005
31 December		
Available for sale investments in equities and other investments:		
Carrying amount	255	397
Gross unrealised gains and losses	109	151
- Related tax	(24)	(37)
Net unrealised gains and losses	85	114
Available for sale investments in debt securities:		
Carrying amount	3,540	6,345
Gross unrealised gains and losses	45	124
- Related tax	(11)	(39)
Net unrealised gains and losses	34	85

Impairments on investments available for sale

The following table shows the changes in the impairments on investments available for sale:

	2006	2005
Balance 1 January	2	8
Acquisitions/divestments of subsidiaries		
Increase in impairments	2	
Release of impairments	(1)	(1)
Reversal on sale/divestment		(5)
Balance 31 December	3	2

17.3 Investments held at fair value through profit or loss

The following table provides information at 31 December about the investments that are held at fair value and for which unrealised gains or losses are recorded through profit or loss.

	2006	2005	2004
31 December			
Private equities and venture capital	179	153	143
Total investments held at fair value through profit or loss	179	153	143

Within Fortis Bank Nederland Merchant Banking segment, some investments made by private equity entities of Fortis Bank Nederland, are designated at fair value through profit or loss, expressing as such the business of investing in financial assets with a view to profiting from their total return in the form of interest or dividend and changes in fair value.

17.4 Investments in associates and joint ventures

The following table gives an overview of the most significant investments in associates and joint ventures at 31 December.

	2006	2005	2004
	Carrying amount	Carrying amount	Carrying amount
Joint ventures			
SR Hypotheken	43	40	40
Associates			
Steller Martime	17	20	18
Caipora International Finance	107	107	93
Debra International Finance	210	210	180
NIB Capital Foreign Debt fund V	527	347	347
Textainer		54	31
CF-Leasing		25	10
RFH Ltd		14	
Other	2	4	17
Total	906	820	736

	Total assets	Total income
2006		
Caipora International Finance Cooperatieve UA	429	17
Debra International Finance Cooperatieve UA	838	37
NIB Capital Foreign Debt fund V	702	15
2005		
Caipora International Finance Cooperatieve UA	429	15
Debra International Finance Cooperatieve UA	838	43
NIB Capital Foreign Debt fund V	462	20
2004		
Caipora International Finance Cooperatieve UA	373	15
Debra International Finance Cooperatieve UA	721	43
NIB Capital Foreign Debt fund V	462	20

Investments in joint ventures

Companies that Fortis Bank Nederland owns and controls jointly with other companies (joint ventures) are measured at net asset value.

18. Other receivables

The table below shows the components of other receivables at 31 December.

	2006	2005	2004
31 December			
Fees and commissions receivable	37	51	19
Factoring receivables	1,676	1,504	967
Receivables related to securities transactions with banks	210		
Receivables related to securities transactions with customers	784	1,040	
Other	228	71	97
Total gross	2,935	2,666	1,083
Impairments on other receivables	(15)	(25)	(1)
Net total	2,920	2,641	1,082

Other receivables include value added and other indirect taxes receivables as well as transitory balances related to clearing activities.

Change in impairments of other receivables

The following table shows the changes in the impairments of other receivables.

	2006	2005
Balance 1 January	25	1
Acquisitions/divestments of subsidiaries		18
Increase in impairments	4	4
Release of impairments	(2)	
Write-offs of uncollectible amounts	(12)	(3)
Foreign exchange differences and other adjustments		5
Balance 31 December	15	25

19. Property and equipment

The table below shows the categories of property and equipment at 31 December

	2006	2005	2004
31 December			
Land and buildings held for own use	134	140	158
Leasehold improvements	138	93	80
Equipment	99	86	86
Buildings under construction	14		
Total	385	319	324

Changes in property and equipment

The changes in property and equipment can be detailed as follows for the years 2006 and 2005

					2006
	Land & Buildings Held for own use	Leasehold	Equipment and motor-vehicles	Buildings under construction	Total
Acquisition cost at 1 January	179	169	330		678
Acquisitions/divestments of subsidiaries				14	14
Additions		84	51		135
Reversal of cost due to divestments		(2)	(9)		(11)
Transfer from investment property					
Foreign exchange differences			(2)		(2)
Other		(2)	9		7
Acquisition cost at 31 December	179	249	379	14	821
Accumulated depreciation 1 January	(38)	(76)	(244)		(358)
Acquisitions/divestments of subsidiaries					
Depreciation expense	(4)	(18)	(35)		(57)
Reversal of depreciation due to divestments		1	8		9
Transfer from investment property					
Foreign exchange differences			1		1
Other		(17)	(10)		(27)
Accumulated depreciation at 31 December	(42)	(110)	(280)		(432)
Impairments at 1 January	(2)				(2)
Increase of impairments charged to profit or loss	(2)	(1)			(3)
Reversal of impairments charged to profit or loss					
Other	1				1
Impairments at 31 December	(4)	(1)			(4)
Net property, and equipment	134	138	99	14	385

					2005
	Land & Buildings held for own use	Leasehold improve-ments	Equipment and motor-vehicles	Buildings under construction	Total
Acquisition cost at 1 January	193	160	332		686
Acquisitions/divestments of subsidiaries			3		3
Additions		27	33		60
Disposals (sales)	(15)	(20)	(42)		(77)
Foreign exchange differences	2	1	3		6
Other		1	1		1
Acquisition cost at 31 December	180	169	330		679
Accumulated depreciation 1 January	(36)	(80)	(246)		(362)
Acquisitions/divestments of subsidiaries			(2)		(2)
Depreciation expense	(4)	(15)	(33)		(52)
Disposals (sales)	1	20	38		59
Foreign exchange differences		(1)	(2)		(3)
Other	1		1		2
Accumulated depreciation at 31 December	(38)	(76)	(244)		(358)
Impairments at 1 January					
Increase of impairments charged to profit or loss	(2)				(2)
Reversal of impairments charged to profit or loss					
Other					
Impairments at 31 December	(2)				(2)
Net property, and equipment	140	93	86		319

	Land & Buildings held for own use	Leasehold	Equipment and motor-vehicles	Buildings under construction	Total
					2004
Acquisition cost at 1 January	214	172	320		706
Acquisitions/divestments of subsidiaries					
Additions	12	19	54		85
Disposals (sales)	(35)	(30)	(38)		(102)
Reversal of cost due to divestments					
Transfer from investment property					
Foreign exchange differences			(1)		(2)
Other	2		(3)		(1)
Acquisition cost at 31 December	193	161	332		686
Accumulated depreciation 1 January	(41)	(84)	(223)		(348)
Acquisitions/divestments of subsidiaries			(9)		(10)
Depreciation expense	(3)	(17)	(39)		(59)
Disposals (sales)	9	20	23		53
Reversal of depreciation due to divestments					
Transfer from investment property					
Foreign exchange differences			1		1
Other			1		1
Accumulated depreciation at 31 December	(35)	(81)	(246)		(362)
Impairments at 1 January					
Increase of impairments charged to profit or loss		(1)			(1)
Reversal of impairments charged to profit or loss		1			1
Other					
Impairments at 31 December					
Net property and equipment	158	80	86		324

The depreciable amount of buildings is allocated based on the straight line method over their useful life. For this purpose, the real estate is split into the following components: structure, closing, techniques and equipment, heavy finishing and light finishing.

Structure	50 years for offices and retail; 70 years for residential
Closing	30 years for offices and retail; 40 years for residential
Techniques and equipment	20 years for offices; 25 years for retail and 40 years for residential
Heavy finishing	20 years for offices; 25 years for retail and 40 years for residential
Light finishing	10 years for offices, retail and residential

Land has an unlimited useful life and therefore is not depreciated.

IT, office and other equipment, and motor vehicles are depreciated over their respective useful life that has been determined individually.

As a general rule, residual values are considered to be zero.

20. Goodwill and other intangible assets

Goodwill and other intangible assets at 31 December are as follows:

	2006	2005	2004
31 December			
Goodwill	213	109	62
Purchased software	6	13	7
Internally developed software	8		
Other intangible assets	1	17	17
Total	228	139	86

Intangible assets are amortised in accordance with the expected lives of the assets. Under IFRS, goodwill is tested for impairment at least annually by comparing the recoverable amount to the carrying value.

Other intangible assets include intangible assets with definite useful lives, such as concessions, patents, licences, know-how, trademarks and other similar rights. In general, software is amortised on maximum 5 years and other intangible assets have an expected useful life of at the most 10 years.

With the exception of goodwill, Fortis Bank Nederland does not have intangible assets with indefinite useful lives.

Changes in goodwill and other intangible assets

The changes in goodwill and other intangible assets can be detailed as follows for the years 2006 and 2005

			2006
	Goodwill	Software and other intangible assets	Total
Acquisition cost at 1 January	109	78	187
Acquisitions/divestments of subsidiaries	7		7
Additions	83	12	95
Reversal of cost due to divestments		(2)	(2)
Foreign exchange differences	(1)		(1)
Other	15	(19)	(4)
Acquisition cost at 31 December	213	69	282
Accumulated amortisation 1 January			
Acquisitions/divestments of subsidiaries		(49)	(49)
Depreciation expense		(6)	(6)
Reversal of amortisation due to divestments		2	2
Foreign exchange differences			
Other		(1)	(1)
Accumulated amortisation 31 December		(54)	(54)
Net intangible assets	213	15	228

Other mainly relates to a transfer of other intangible assets to goodwill.

			2005
	Goodwill	Software and other intangible assets	Total
Acquisition cost at 1 January	63	67	130
Acquisitions/divestments of subsidiaries	36		36
Additions	9	14	23
Reversal of cost due to divestments		(2)	(2)
Foreign exchange differences	1		1
Other		(1)	(1)
Acquisition cost at 31 December	109	78	187
Accumulated amortisation 1 January		(43)	(43)
Acquisitions/divestments of subsidiaries			
Depreciation expense		(6)	(6)
Reversal of amortisation due to divestments		2	2
Foreign exchange differences			
Other		(1)	(1)
Accumulated amortisation 31 December		(48)	(48)
Net intangible assets	109	30	139

Additions of goodwill in 2006 relate to the valuation per 31 December 2006 of the subsequent purchase price of Fortis Bank Channel Islands.
Additions of software and other intangible assets during the year relate to internally developed software

21. Accrued interest and other assets

The table below shows the components of accrued interest and other assets at 31 December.

	2006	2005	2004
31 December			
Accrued investment and interest income	2,881	2,069	2,049
Derivatives held for hedging purposes			
Pension assets	3		54
Deferred tax assets	198	436	670
Income tax receivable	146	50	453
Other	1,495	949	1,190
Total gross	4,723	3,504	4,416
Provisions and impairments			
Net total	4,723	3,504	4,416

All purchases and sales of financial assets requiring delivery within the time frame established by regulation or market convention are recognised on the trade date, which is the date when Fortis Bank Nederland becomes a party to the contractual provisions of the instrument. The line 'other' contains balancing temporary amounts between trade date and settlement date.

For more details on pension plans and related pension assets we refer to note 7 'Post employment benefits and other long-term employee benefits'.

22. Due to banks

The table below shows the components of due to banks at 31 December.

	2006	2005	2004
31 December			
Deposits from banks:			
Demand deposits	12,407	13,778	11,478
Time deposits	37,649	32,700	45,314
Other deposits	18	46	156
Total deposits	50,074	46,524	56,948
Repurchase agreements			
Securities borrowing	19,921	11,837	10,467
Other	149	239	2,190
Total	70,144	58,600	69,605

The average balance of due to banks amounted to EUR 64,875 million (2005: EUR 71,752 million; 2004: EUR 64,374 million). The non interest bearing deposits from banks were in 2006 EUR 0 million (2005: EUR 8 million; 2004: EUR 0 million)

Contractual terms of deposit held by banks

The contractual terms of the deposits held by banks at 31 December are as follows:

	2006	2005	2004
2005			56,485
2006		44,197	38
2007	48,382	210	4
2008	1,348	1,807	7
2009	26	1	1
2010	2	1	
2011			
Later	316	307	413
Total deposits	50,074	46,524	56,948

23. Due to customers

The components of due to customers at 31 December are as follows:

	2006	2005	2004
31 December			
Demand deposits	30,323	31,008	23,638
Saving deposits	8,688	10,488	10,654
Time deposits	14,339	9,466	8,118
Other deposits	5	101	90
Total deposits	53,355	51,063	42,500
Repurchase agreements			
Securities borrowing	3,666	521	95
Other borrowings	6,835	34	4,685
Total due to customers	63,856	51,618	47,280

The average balance of due to customers amounted to EUR 59.561 million in 2006 (2005: EUR 49,582 million; 2004: EUR 46,118 million). The average yield was 3.8% in 2006 (2005: 3.1%; 2004: 2.6%).

Customer deposits

The average rate of interest paid on deposits during the year ended 31 December was as follows:

	2006	2005	2004
Interest bearing demand deposits	1.3%	1.2%	1.0%
Saving deposits	2.8%	3.0%	3.3%
Time deposits	4.5%	4.5%	4.9%

The average amount of deposits of customers during the year was EUR 51,594 million (2005: EUR 46,417 million; 2004: EUR 40,145 million).

Maturity dates of customer deposits

The maturity dates of customer deposits at 31 December are as follows:

	2006	2005	2004
2005			41,622
2006		48,601	138
2007	51,200	472	357
2008	132	234	40
2009	169	305	175
2010	104	369	
2011	81		
Later	1,669	1,082	168
Total customer deposits	53,355	51,063	42,500

24. Debt certificates

Debt certificates include bonds and other fixed income securities. The following table shows the types of debt securities issued by Fortis Bank Nederland and the amounts outstanding at 31 December.

	2006	2005	2004
Savings certificates	103	207	211
Commercial paper	24,573	18,217	17,426
Other	668	838	567
Total debt certificates	25,344	19,262	18,204

Compared to the Annual Financial Statement 2005 EUR 107 million regarding Non-voting preference shares in 2005 and 2004 are restated as subordinated liabilities.

The average balance of debt certificates amounted to EUR 21,529 million in 2006 (2005: EUR 18,762 million; 2004: EUR 15,156 million). The average yield was 3.4% in 2006 (2005: 3.2%; 2004: 3.0%).

The balance of debt securities outstanding at 31 December based on contractual maturity is as follows:

	2006	2005	2004
2005			672
2006		1,349	901
2007	4,560	3,371	2,735
2008	3,204	3,261	2,282
2009	6,675	5,359	5,915
2010	2,476	232	
2011	4,042		
Later	4,494	5,690	5,690
Total debt certificates	25,344	19,262	18,204

25. Subordinated liabilities

The following table provides a specification of the subordinated liabilities at 31 December

	2006	2005	2004
31 December			
Hybrid and Tier-1 loans	557	552	553
Other subordinated liabilities	1,845	1,649	1,270
Total subordinated liabilities	2,402	2,201	1,823

Compared to the Annual Financial Statement 2005 EUR 107 million regarding Non-voting preference shares in 2005 and 2004 are restated from Debt certificates to Tier-1 loans.

The average balance for subordinated liabilities was EUR 2,150 million in 2006 (2005: EUR 1,933 million; 2004: EUR 1,735 million). The average yield was 4.6% in 2006 (2005: 5.0%; 2004: 5.9%).

Hybrid and other Tier 1 loans consist of:
- Non-cumulative non-voting perpetual preference shares in the amount of EUR 450 million.
- Non-voting preference shares of EUR 107 million (in Annual Financial Statement 2005 reported as Debt Certificates)

Non-cumulative non-voting perpetual preference shares

In June 1999 Fortis Bank Nederland issued non-cumulative, non-voting perpetual preference shares. The regulator considers these preference shares as part of the Tier 1 capital of the bank. The issue was composed of two trances:
- a trance of EUR 450 million with a fixed coupon of 6.25% for the first ten years, and a variable coupon of 3-month Euribor plus 2.60% in subsequent years. After 10 years and once a year in subsequent years Fortis Bank Nederland has the opportunity to redeem the instrument for cash on a distribution date
- a trance of EUR 200 million with a fixed coupon of 7.00% for the entire duration. After 5 years and once a year in subsequent years Fortis Bank Nederland has the opportunity to redeem this instrument for cash on a distribution date. Fortis Bank Nederland redeemed this trance in early 2004.

The preference shares have the benefit of a Support Agreement. Fortis N.V., Fortis Bank, Fortis Bank Nederland (Holding) and Fortis SA/NV (the 'Supporting Companies') jointly and severally agree to contribute to Fortis Capital Limited any additional funds necessary to allow it to pay dividends on the preference shares in the event that any of the Supporting Companies pays a dividend on its ordinary or preference shares in the same financial year. Under this arrangement, even the payment of a symbolic dividend by any of the Supporting Companies on its own capital stock would automatically trigger a full or proportional dividend entitlement for the investors in the hybrid securities, with full recourse against the Supporting Companies. In addition (if the Supporting Companies were to have sufficient aggregate distributable reserves to pay a dividend on their own capital stock) payment would result in an obligation to make payments under the Support Agreement for which distributable reserves of the Supporting Companies would not be adequate.

As a condition for its acceptance of the hybrid securities as constituting Tier 1 capital of Fortis Bank, the supervisory authorities have therefore requested that appropriate measures be put in place to ensure that any payments to be made by Fortis SA/NV or Fortis Bank under the Support Agreement as triggered by a dividend payment on their own shares be capped to the level of the aggregate distributable reserves of the

Supporting Companies. To meet this condition, the Board of Directors has decided that Fortis SA/NV will not declare a dividend on its ordinary shares or on its preference shares or other capital instruments (if applicable) unless the aggregate of the distributable reserves of the Supporting Companies is sufficient to cover all dividend payments relating to their respective ordinary shares, preference shares or other capital instruments, as well as any amounts payable in the same financial year pursuant to their obligations under the Support Agreement.

Non-voting perpetual preference shares of EUR 107 million

Fortis Bank Nederland issued in 1975 class B-preference shares and in 1979 class E-preference shares for a total amount of EUR 107 million. The regulators consider these shares as Tier-1 capital. The preference shares are ultimately owned by Fortis Bank. The average coupon of the preference shares is 5.3% (2005: 5.3%).

26. Other borrowings

The table below shows the components of other borrowings at 31 December.

	2006	2005	2004
Total other borrowings	903	4,335	2,931

	2006	2005	2004
Not later than 3 months	191	3,153	1,688
Later than 3 months and not later than 1 year	242	565	155
Later than 1 year and not later than 5 years	236	134	333
Later than 5 years	233	483	755
Total	903	4,335	2,931

27. Provisions

Changes in provisions during the year were as follows:

	Credit commitments	Restructuring	Other	Total
At 1 January 2005	10	50	82	142
Acquisition and divestment of subsidiaries	10		86	96
Increase of provisions				
Reversal unused provisions	(6)	(1)	(56)	(63)
Utilised during the year		(2)	(28)	(30)
Effect of change in discount rate			1	1
Foreign exchange differences				
Reclassification		(46)	45	(1)
Other			(13)	(13)
At 31 December 2005	14	1	117	132
Acquisition and divestment of subsidiaries				
Increase of provisions	4		38	42
Reversal unused provisions	(7)		(24)	(31)
Utilised during the year			(54)	(54)
Accretion of interest			1	1
Foreign exchange differences				
Other		(1)	2	1
At 31 December 2006	11		80	91

Provisions for credit commitments are allowances covering credit risk on Fortis Bank Nederland's credit commitments recorded off-balance sheet that have been individually identified as impaired or on a portfolio basis. The amount of the impairment is the present value of the cash flows, which Fortis Bank Nederland expects to be required to settle its commitment.

Restructuring provisions cover the costs of a restructuring plan for which implementation has been formally announced by Fortis Bank Nederland's management.

Other provisions consist of provisions for:
- tax and legal litigations
- early departure programs

The tax and legal litigation provision is based on best estimates available at year end taking into consideration the opinion of legal and tax advisors. The timing of the out flow of cash related to this provision is by nature uncertain given the unpredictability of the outcome and time it takes to conclude the litigations.

The provisions for early departure programs are based on the arrangements in the collective labour agreements. The provisions are set up when the collective labour agreement are concluded and the cash out flows have the same time horizon as the collective labour agreements.

28. Current and deferred tax liabilities

As of year end the tax position can be summarised as follows:

			2006			2005			2004
	Current	Deferred	Total	Current	Deferred	Total	Current	Deferred	Total
Assets	146	198	344	50	436	486	453	670	1,123
Liabilities	518	47	565	234	16	250	275	293	568

The tax assets are included in the caption Accrued interest and other assets (see note 21).

Since deferred tax assets and liabilities can be netted in certain situations the amounts are presented in the balance as follows:

	2006	2005	2004
Deferred tax asset	198	435	669
Deferred tax liability	47	16	293
Net deferred tax	151	419	376

Deferred tax assets and liabilities at 31 December consist of the following:

			Balance sheet			Income statement
	2006	2005	2004	2006	2005	2004
Deferred tax assets:						
Assets held for trading (trading securities /derivative financial instruments /other assets held for trading)	73	73	76		(4)	4
Liabilities held for trading (short security sales / derivative financial instruments /other liabilities held for trading)	(202)	268	360	(470)	(93)	20
Investments (HTM/AFS)		1	1			
Investment property	1	1	1			
Property and equipment	17	22	22	1		
Due from customers	20	38	39	(13)		6
Impairments on loans	29	45	36	(16)	8	(1)
Provisions for pensions and post-retirement benefits	236	237	239		(2)	
Other provisions	16	52	54	(2)	(2)	1
Accrued expenses and deferred income	1	1			1	
Unused tax losses	25	1		24	1	
Other	130	70	84	94	(16)	
Gross deferred tax assets	347	809	912	(383)	(107)	30
Not recognised deferred tax assets	(23)			(23)		1
Net deferred tax assets	324	809	912	(406)	(107)	31
Deferred tax liabilities related to:						
Assets held for trading (trading securities /derivative financial instruments /other assets held for trading)	(25)	33	236	(14)	(203)	15
Investments (HTM/AFS)	51	80	76	15	1	
Property and equipment	7	8	22	(1)	(14)	
Due from customers	58	119	80	(54)	40	5
Impairments on loans	5	16	16	(12)		
Other provisions	72	73	76	1	(2)	1
Deferred policy acquisition cost	1					
Deferred expense and accrued income	2	1	1			
Other	2	60	29	(33)	31	179
Total deferred tax liabilities	173	390	536	(98)	(147)	200
Deferred tax expense				308	(40)	169
Net deferred tax	151	419	376			

29. Accrued interest and other liabilities

At 31 December the composition of accrued interest and other liabilities is as follows:

	2006	2005	2004
31 December			
Deferred revenues	464	393	973
Accrued interest	2,893	2,199	1,688
Accrued expenses	788	723	755
Derivatives held for hedging purposes	41	849	
Pension liabilities	374	258	8
Other employee benefit liabilities	201	312	209
Accounts payable	52	184	54
Due to agents, policyholders and intermediaries	1	2	1
VAT and other taxes payable	30	29	27
Dividends payable			1
Other liabilities	2,542	2,545	1,501
Total	7,386	7,493	5,217

The line derivatives held for hedging purposes contains the negative fair value of all derivatives qualifying as hedging items in fair value hedges and in cash flow hedge. The hedging strategies are further explained in note 5 'Risk management'.

Further details on pension liabilities can be found in note 7 'Post employment benefits and other long-term employee benefits'. Other employee benefit liabilities relate to, amongst others, other post employment benefits (see note 7), social security charges, termination benefits and accrued vacation days.

All purchases and sales of financial assets requiring delivery within the time frame established by regulation or market convention are recognised on the trade date, which is the date when Fortis Bank Nederland becomes a party to the contractual provisions of the instrument. The line 'other' contains temporary balancing amounts between trade date and settlement date.

30. Derivatives

Derivatives include forwards, futures, swaps and options contracts, all of which derive their value from underlying interest rates, foreign exchange rates, commodity values, equity instruments or credit instruments.
A derivative contract may be traded either on an exchange or over-the-counter ('OTC'). Exchange–traded derivatives, which include futures and option contracts, are standardised and generally do not involve significant counterparty risk due to the margin requirements of the individual exchanges. OTC derivative contracts are individually negotiated between contracting parties. Other derivatives include embedded derivatives, being the components of a hybrid (combined) instrument that also includes a non-derivative host contract, with the effect that some of the cash flows of the combined instrument vary similar to a stand-alone derivative.

The notional amounts of derivative contracts are not recorded in the balance sheet as assets or liabilities and do not represent the potential for gain or loss association with such transactions. Fortis Bank Nederland's exposure to the credit risk associated with counterparty non-performance is limited to the net positive replacement cost of the derivative contracts.

Interest rate swaps are contractual agreements between two parties to exchange periodic payments in the same currency, each of which is computed on a different interest rate basis. Most interest rate swaps involve the net exchange of payments calculated as the difference between the fixed and floating interest rate payments. Fortis Bank Nederland uses interest rate swaps to change the interest rate characteristics of certain assets and liabilities. For example, based on long-term debt, an interest rate swap can be entered into to convert a fixed interest rate into a floating interest rate, in order to reduce the interest rate mismatch. Fortis Bank Nederland also uses interest rate swaps to hedge the risk of price fluctuations of the trading securities.

Interest rate futures are exchange–traded instruments and represent commitments to purchase or sell a designated security or money market instrument at a specified future date and price.

Interest rate forward agreements are OTC where two parties agree on an interest rate and period that will become a reference point in determining a net payment to be made by one party to the other, depending on what market rate actually prevails at a future point in time.

Interest rate options are interest rate protection instruments that involve the obligation of the seller to pay the buyer an interest rate differential in exchange for a premium paid by the buyer. This differential represents the difference between current exchange and an agreed–upon rate applied to a notional amount. Exposure to losses on all interest rate contracts will increase or decrease over their respective lives as interest rates fluctuate.

Currency swaps, in their simplest form, are contractual agreements that involve the exchange of both periodic and final amounts in different currencies. Exposure to loss on both types of swap contracts will increase or decrease over their respective lives depending on maturity dates, interest and foreign exchange rates, and the timing of payments.

Foreign exchange contracts, which include spot, forward and futures contracts, represent agreements to exchange the currency of one country for the currency of another country at an agreed price, on an agreed settlement date. They are used to hedge net capital and foreign exchange exposure.

Foreign exchange option contracts are similar to interest rate option contracts, with the exception that they are based on currencies rather than interest rates. Exposure to loss on these contracts will increase or decrease over their respective lives as currency exchange and interest rates fluctuate.

For exchange–traded foreign exchange contracts, Fortis Bank Nederland's exposure to off–balance sheet credit risk is limited, as these transactions are executed on organised exchanges that assume the obligation of counterparties and generally require security deposits and daily settlement of margins.

A commodity forward or futures contract is a contract where the underlying is a commodity. A commodity swap is a swap where exchanged cash flows are dependent on the price of an underlying commodity. A commodity option is an option either to buy or to sell a commodity futures contract at a fixed price until a specified date.

Credit derivatives allow credit risk to be isolated from all other risks and also from the instrument, with which it is associated, so that the credit risk can be passed from one party to another. In a credit default swap, the buyer/beneficiary pays a premium and acquires the right to sell back a reference bond to the seller/guarantor if a credit event occurs. A total return swap is a contract in which the beneficiary agrees to pay the guarantor the "total return" on the reference asset, which consists of all contractual payments as well as any appreciation in the market value of the reference asset. To complete the swap arrangement, the guarantor agrees to pay a floating rate plus a spread and any depreciation to the beneficiary.

Equity derivatives include equity swaps, options, futures and forward contracts. An equity swap is a swap in which the cash flows that are exchanged are based on the total return on some stock market index and an interest rate (either a fixed rate or a floating rate). Equity (or stock) options give the right to buy (in the case of a call option) or to sell (in the case of a put option) a fixed number of shares of a company, at a given price, before or on a specified date.

30.1 Derivatives held for trading

The derivatives held for trading at 31 December were composed of the following:

	Assets Fair values	Assets Notional amount	Liabilities Fair values	Liabilities Notional amount
2006				
Foreign exchange contracts				
Forwards and futures	419	61,901	412	61,882
Interest and currency swaps	24	521	19	517
Options	15	2,762	13	2,756
Total	458	65,184	444	65,155
Interest rate contracts				
Forwards and futures				
Swaps	834	89,401	802	89,401
Options	182	11,115	182	11,115
Total	1,016	100,516	984	100,516
Commodity contracts				
Forwards and futures				
Swaps	16	253	15	253
Options				
Total	16	253	15	253
Equity/Index contracts				
Forwards and futures	2	193	164	348
Swaps	554	9,339	276	21,215
Options and warrants	2,149	7,974	1,292	10,280
Total	2,705	17,506	1,732	31,843
Credit derivatives				
Swaps				1,065
Other			29	
Balance at 31 December 2006	4,195	183,459	3,204	198,832
Fair values supported by observable market data	883		89	
Fair values obtained using a valuation model	3,312		3,115	
Total	4,195		3,204	
OTC	4,180	183,375	3,204	198,715
Exchange traded	15	84		117
Other				
Total	4,195	183,459	3,204	198,832

	Assets		Liabilities	
	Fair values	Notional amount	Fair values	Notional amount
2005				
Foreign exchange contracts				
Forwards and futures	477	47,256	497	47,277
Interest and currency swaps	31	470	29	469
Options	40	2,022	7	1,285
Total	548	49,748	533	49,031
Interest rate contracts				
Forwards and futures		235		235
Swaps	945	68,032	955	54,904
Options	156	5,676	176	6,629
Total	1,101	73,943	1,131	61,768
Commodity contracts				
Forwards and futures				
Swaps	20	349	20	349
Options				
Total	20	349	20	349
Equity/Index contracts				
Forwards and futures	1	14	66	118
Swaps	408	9,381	92	11,751
Options and warrants	2,252	2,579	1,089	2,522
Total	2,661	11,974	1,247	14,391
Credit derivatives				
Swaps				
Other		8	31	31
Balance at 31 December 2005	4,330	136,022	2,962	125,570
Fair values supported by observable market data	2,315		662	
Fair values obtained using a valuation model	2,015		2,300	
Total	4,330		2,962	
OTC	4,326	135,988	2,928	125,507
Exchange traded	4	26	3	32
Other		8	31	31
Total	4,330	136,022	2,962	125,570

	Assets		Liabilities	
	Fair values	Notional amount	Fair values	Notional amount
2004				
Foreign exchange contracts				
Forwards and futures	764	20,519	682	20,458
Interest and currency swaps		101	1	101
Options	573	132	2	197
Total	1,337	20,752	685	20,756
Interest rate contracts				
Forwards and futures		6,681		6,681
Swaps	1,237	37,579	2,298	37,579
Options	42	3,385	40	4,135
Total	1,279	47,645	2,338	48,395
Commodity contracts				
Options	2		2	
Equity/Index contracts				
Forwards and futures	52	215	22	24
Options and warrants	993	146	2,067	146
Total	1,045	361	2,089	170
Credit derivatives				
Options				
Other	182	182	136	136
Balance at 31 December 2004	3,845	68,940	5,250	69,457
Fair values supported by observable market data	3,135		4,830	
Fair values obtained using a valuation model	710		420	
Total	3,845		5,250	
OTC	3,659	68,727	5,114	69,320
Exchange traded	4	31		1
Other	182	182	136	136
Total	3,845	68,940	5,250	69,457

30.2 Derivatives held for hedging purposes

Hedging derivatives at 31 December are as follows:

	Assets Fair values	Assets Notional amount	Liabilities Fair values	Liabilities Notional amount
2006				
Interest rate contracts				
Swaps		25,341	41	25,341
Total		25,341	41	25,341
Balance at 31 December 2006		25,341	41	25,341
Fair values supported by				
Fair values supported by observable market data			41	
Fair values obtained using a				
Fair values obtained using a valuation model				
Total			41	
OTC		25,341	41	25,341

	Assets Fair values	Assets Notional amount	Liabilities Fair values	Liabilities Notional amount
2005				
Foreign exchange contracts				
Interest and currency swaps		15,864	849	15,864
Total		15,864	849	15,864
Balance at 31 December 2005		15,864	849	15,864
Fair values supported by observable market data				
Fair values obtained using a valuation model			849	
Total			849	
OTC		15,864	849	15,864

31. Fair Values of financial assets and financial liabilities

The following table presents the carrying amounts and fair values of these classes of financial assets and financial liabilities, not reported on the Fortis Bank Nederland consolidated balance sheet at their fair value. It is completed by a description of the methods used to determine fair value of financial instruments.

		2006		2005		2004
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Assets						
Cash and cash equivalents	22,075	22,075	13,508	13,526	20,047	20,047
Due from banks	27,071	27,128	17,263	17,285	21,655	21,652
Due from customers	124,039	126,588	108,775	110,258	97,523	98,374
Investments held to maturity	33	33				
Other receivables	2,920	2,921	2,641	2,641	1,082	1,082
Total financial assets	176,138	178,725	142,187	143,710	140,307	141,155
Liabilities						
Due to banks	70,144	70,420	58,600	59,132	69,605	70,191
Due to customers	63,856	63,344	51,618	51,346	47,279	46,849
Debt certificates	25,344	25,445	19,368	19,721	18,310	18,467
Subordinated liabilities	2,402	2,478	2,095	2,257	1,717	1,918
Other borrowings	903	903	4,335	4,437	2,931	2,858
Total financial liabilities	162,649	162,590	136,016	136,893	139,842	140,283

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fortis Bank Nederland uses the following methods, in the order listed, in determining the fair value of financial instruments:

- quoted price in an active market
- valuation techniques
- cost

When a financial instrument is traded in an active and liquid market, its quoted market price or value provides the best evidence of fair value. No adjustment is made to the fair value of large holdings of shares, unless there is a binding agreement to sell the shares at another than market price. The appropriate quoted market prices for an asset held or a liability to be issued is the current bid price, and for an asset to be acquired or a liability held, the asking price. When Fortis Bank Nederland has assets and liabilities with offsetting market risks, mid-market prices are used as a basis for establishing fair values.

If no active market price is available, fair values are estimated using present value or other valuation techniques based on market conditions existing at the reporting date.If there is a valuation technique commonly used by market participants to price an instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, Fortis Bank Nederland uses that technique.

Valuation techniques that are well established in financial markets include recent market transactions, discounted cash flows and option pricing models. An acceptable valuation technique incorporates all factors that market participants would consider in setting a price, and should be consistent with accepted economic methodologies for pricing financial instruments.

The basic principles in estimating fair value are:

- maximise market inputs and minimise internal estimates and assumptions
- change estimation techniques only if an improvement can be demonstrated or if a change is necessary because of changes in the availability of information.

The fair value presented is the "clean" fair value, which is full fair value less interest accruals. Interest accruals are recorded separately.

Methods and assumptions used in determining fair value are largely dependent on whether the instrument is traded on financial markets and what information is available to be incorporated into the valuation models. A summary of different financial instrument types along with the fair value treatment is included below.

Quoted market prices are used for financial instruments traded on financial market with quotation of prices.

Non-exchange-traded financial instruments are often traded in over-the-counter (OTC) markets by dealers or other intermediaries from whom market prices are obtainable.
Quotations are available from various sources for many financial instruments traded regularly in the OTC market. Those sources include the financial press, various quotation publications and financial reporting services, and individual market makers.

Quoted market prices provide the most reliable fair value for derivatives traded on a recognised exchange. Fair value for derivatives not traded on a recognised exchange is considered to be the value that could be realised through termination or assignment of the derivative.

Common valuation methodologies for an interest rate swap incorporate a comparison of the yield of the swap with the current swap yield curve. The swap yield curve is derived from quoted swap rates. Dealer bid and offer quotes are generally available for basic interest rate swaps involving counter parties whose securities are investment-grade.

Factors that influence the valuation of an individual derivative include the counter party's credit standing and the complexity of the derivative. If those factors differ from those basic factors underlying the quote, an adjustment to the quoted price is considered.

The fair value (FV) calculation of financial instruments not actively negotiated on financial markets can be summarised as follows:

Instrument Type	Fortis Products	FV Calculation
Instruments with no stated Maturity	Current accounts, saving accounts, etc.	Nominal value.
Instruments without optional Features	Straight loans, deposits, etc.	Discounted cash flow methodology; discounting yield curve is the swap curve plus spread (assets) or the swap curve minus spread (liabilities); spread is based on commercial margin computed based on the average on new production during last 3 months.
Instruments with optional Features	Mortgage loans and other instruments with option features	Product is split and linear (non-optional) component is valued using a discounted cash flow methodology and option component valued based on option pricing model.
Subordinated loans	Subordinated loans	Discounted cash flow methodology in which spread is based on subordination cost for Fortis based on market quotations.
Private equity	Private equity and non-quoted participations investments	In general based on the European Venture Capital Association valuation guidelines, using amongst others Enterprise Value/EBITDA, Price/Cash flow and Price/Earnings.
Preference shares (non-quotes)	Preference shares	If the share is characterised as a debt instrument, a discounted cash flow model is used.

Fortis Bank Nederland has a policy in place aiming at quantifying and monitoring pricing uncertainties related to the calculation of fair values using valuation techniques and internal models. Relating uncertainties characterise the 'model risk' concept.

Model risk arises when the product pricing requires valuation techniques which are not yet standardised or for which input data cannot be directly observed in the market leading to assumptions on the input data themselves.

The development of new, sophisticated products in the market is resulting in the development of mathematical models to price them. These models depend in turn upon assumptions regarding the stochastic behaviour of underlying variables, numerical algorithms and other possible approximations needed to replicate the complexity of the option pay off.

Furthermore, the underlying hypotheses of a model are depending on the general market conditions (specific interest rates, volatilities, etc.) prevailing at the moment of its development. There is no guarantee that the model will continue to give adequate results, should market conditions change drastically.

The Fortis Bank Nederland fair value adjustment policy goes beyond existing procedures aiming to assess the quality of regular fair valuations processes.

Any related model uncertainty is quantified as best as possible and is the basis in adjusting the fair value calculated by the valuation techniques and internal models.

Notes to the income statement

32. Interest

32.1 Interest income

The breakdown of interest income by type of product is as follows:

	2006	2005	2004
Interest income			
Interest income on cash equivalents	307	258	145
Interest income on due from banks	4,224	2,110	1,353
Interest income on investments	283	307	268
Interest income on due from customers	5,307	4,475	4,062
Interest income on derivatives held for trading	2,716	1,344	1.397
Other interest income	695	399	417
Total interest income	13,532	8,893	7,642

32.2 Interest expenses

The following table shows the breakdown of interest expenses by product.

	2006	2005	2004
Interest expenses			
Interest expenses due to banks	4,260	2,398	1,550
Interest expenses due to customers	2,134	1,545	1,225
Interest expenses on debt certificates	726	623	491
Interest expenses on subordinated liabilities	99	67	73
Interest expenses on other borrowings	546	236	107
Interest expenses on liabilities held for trading and derivatives	3,133	1,542	2,378
Interest expenses on other liabilities	1,177	872	380
Total interest expenses	12,075	7,283	6,204

33. Dividend and other investment income

The following table provides a specification of dividend and other investment income.

	2006	2005	2004
Dividend and other investment income			
Dividend income from equity securities	19	40	27
Rental income from investment property	1	5	9
Other investment income		3	
Total dividend and other investment income	20	48	36

34. Realised capital gains and losses on investments

Realised capital gains and losses on investments may be specified further as follows:

	2006	2005	2004
Debt securities	7	53	105
Equity securities	86	50	(10)
Real estate		5	
Subsidiaries, associates and joint ventures	4	53	16
Other			1
Realised capital gains (losses) on investments	97	161	112

35. Other realised and unrealised gains and losses

Other realised and unrealised gains and losses as included in the income statement are presented below:

	2006	2005	2004
Assets/liabilities held for trading and derivatives	626	241	(136)
Assets and liabilities held at fair value through profit or loss	73	36	8
Hedging results	185	210	
Other realised and unrealised gains and losses	884	487	(128)

All changes in fair value here recorded are changes in clean fair value, i.e. excluding interest accruals recorded under 'interest income' and 'interest expense'.

Assets and liabilities held for trading are acquired principally for the purpose of generating a profit from short-term fluctuations in the price or the dealer's margin. Initial recognition is at acquisition cost, including any transaction costs to acquire the security. Subsequent measurement is at fair value as determined by reference to market prices. The difference between book value and fair value, realised and unrealised, is here recorded.

Derivatives held for trading are all derivatives not qualifying for hedge accounting. All changes in the fair value of derivatives held for trading are here reported.

All changes in fair value of the assets and liabilities held at fair value through profit or loss are here reported. This line includes as well unrealised gains and losses from revaluations as realised gains and losses upon derecognition of the assets or liabilities.

Hedging results contain the changes in fair value attributable to the hedged risk, mostly interest rate risk, of hedged assets and liabilities and the changes in fair value of the hedging instruments. As of 1 January 2005 Fortis Bank Nederland applies hedge accounting.

In the context of portfolio hedges of interest rate risk ('macro hedging') the starting difference between the fair value and the carrying value of the hedged item at designation of the hedging relationship is amortised over the remaining life of the hedged item.

36. Fee and Commission

36.1 Fee and Commission Income

Fee and commission income may be specified as follows

	2006	2005	2004
Fee and commission income			
Securities	239	217	202
Insurance, including reinsurance commissions	47	46	54
Asset management	325	286	239
Payment services	176	155	146
Guarantees and commitment fees	56	47	37
Other service fees	114	101	120
Total fee and commission income	957	852	798

36.2 Fee and Commission Expenses

The components of fee and commission expenses are:

	2006	2006	2006
Fee and commission expenses			
Securities	34	19	35
Intermediaries	14	15	14
Asset management fees	11	17	22
Payment services	44	45	43
Custodian fees	5	3	2
Other fee and commission expenses	3	5	(2)
Total fee and commission expenses	111	104	114

37. Change in impairments

The changes in impairments can be specified as follows:

	2006	2005	2004
Change in impairments on:			
Due from banks	(1)		
Due from customers	67	53	27
Credit commitments	(3)	4	
Investments	1	(1)	2
Investments in associates and joint ventures		(1)	
Other receivables	2	4	
Property and equipment	4	5	
Goodwill and other intangible assets			
Total change in impairments	70	62	29

38. Depreciation and amortisation of tangible and intangible assets

The depreciation and amortisation of tangible and intangible can be specified as follows:

	2006	2005	2004
Depreciation on tangible assets			
Buildings held for own use	4	4	3
Leasehold improvements	18	15	16
Equipment and motor vehicles	35	33	39
Purchased software	4	6	5
Other intangible assts	2		
Depreciation and amortisation of tangible and intangible assets	63	58	64

39. Staff expenses

Staff expenses may be specified as follows:

	2006	2005	2004
Staff expenses			
Salaries and wages	720	641	574
Social security charges	49	67	59
Pension expenses relating to defined benefit plans	35	85	78
Defined contribution plan expenses	41	29	24
Other	3	101	59
Total staff expenses	848	923	794

The expenses for non-monetary benefits (such as medical cost), terminations benefit expense, restructuring expenses and upgrade of quality of management as started in 2005, are included in other.

Note 7 contains more details on post-employment benefits and other long-term employee benefits, including pension expenses relating to defined benefit plans and defined contribution plans.

40. Other expenses

Other expenses may be specified as follows:

	2006	2005	2004
Other expenses			
Operating lease rental expenses and related expenses	92	63	67
Professional fees	76	63	52
Marketing and public relations	54	59	48
IT costs	146	120	116
Other investment charges		1	14
Maintenance and repair expenses	33	20	9
Other	442	339	422
Total other expenses	843	664	727

Other expenses other include amongst other travel expenses, post and telephone, temporary staff and training expenses. As of 1 January 2006, the Facility department of Fortis ASR (Insurance) merged into the Facility department of Fortis Bank Nederland.

41. Income tax expenses

The details of the current and deferred income tax expenses are presented below.

	2006	2005	2004
Current tax expenses for the current period	149	410	24
Adjustments recognised in the period for current tax of prior periods	22	13	(4)
Previously unrecognised tax losses, tax credits and temporary differences reducing current tax expenses	(7)		
Total current tax expenses	164	423	20
Deferred taxes arising from the current period	257	(52)	162
Impact of changes in tax rates on deferred taxes	25	7	
Deferred taxes arising from the write-down or reversal of a write-down of a deferred tax asset	24	(1)	7
Previously unrecognised tax losses, tax credits and temporary differences reducing deferred tax expense	2		
Total deferred tax expenses	308	(46)	169
Total income tax expenses	472	377	189

Below is a reconciliation of the expected income tax expense to the actual income tax expense.

	2006	2005	2004
Profit before taxation	1,649	1,446	624
Applicable tax rate	29.6%	31.5%	34.5%
Expected income tax expense	488	456	215
Increase (decrease) in taxes resulting from:			
Tax exempt interests	(109)	(82)	(34)
Tax exempt dividends	(36)	(19)	(2)
Tax exempt capital gains	(18)	(9)	(7)
Tax exempt impairments		1	
Share in result of associates and joint ventures	(1)	(1)	(8)
Other tax exempt income	(1)	(4)	(4)
Disallowed capital losses	61		
Change in impairments of goodwill			
Disallowed operating and administrative expenses	3	1	4
Negative goodwill		(2)	
Previously unrecognised tax losses and temporary differences	11	(2)	
Write-down and reversal of write-down of deferred tax assets	41	34	(15)
Impact of changes in tax rates on temporary differences	25	7	58
Foreign tax rate differential	(14)	(10)	(13)
Non-deductible withholding tax		(1)	
Adjustments for current tax of prior years	22	7	(7)
Deferred tax on investments in subsidiaries, associates and joint ventures			1
Other		1	1
Actual income tax expenses	472	377	189

Notes to off-balance sheet items

42. Credit related financial instruments

Credit related financial instruments include acceptances, commitments to extend credit, letters of credit and financial guarantees. Fortis Bank Nederland's exposure to credit loss in the event of non performance by the counterparty is represented by the contractual notional amounts of those instruments. Fees received from these credit related instruments are recorded in the income statement when the service is delivered. Acceptances are used by customers to effect payments for merchandise sold in import export transactions.

Credit commitments are agreements to lend to a customer as long as there is no violation of any condition laid down in the contract. Commitments generally have fixed expiration dates or other termination clauses. The geographic and counterparty distribution of commitments to extend credit approximates the distribution of loans outstanding. Fortis Bank Nederland's experience has been that the majority of loan commitments are drawn upon by customers. These commitments are generally unsecured, but, if necessary, collateral may be required.

Letters of credits either ensure payment by Fortis Bank Nederland to a third party for a customer's foreign or domestic trade or are conditional commitments issued by Fortis Bank Nederland to guarantee the performance of a customer to a third party. Fortis Bank Nederland evaluates each customer's creditworthiness on a case by case basis. The amount of collateral obtained is based on credit evaluation of the counterparty. Collateral could consist of the goods financed as well as of cash deposits. Most documentary credits are taken out, though in many cases this is followed by immediate payment.

Suretyships and financial guarantees are used to guarantee performance of a customer. The credit risk involved in issuing these guarantees is essentially the same as that involved in extending loan facilities to customers. These suretyships and guarantees may be unsecured.

The following is a summary of the notional amounts (principal sums) of Fortis Bank Nederland's credit related financial instruments with off balance sheet risk at 31 December.

	2006	2005	2004
Credit substitute guarantees	467	311	405
Non credit substitute guarantees	2,118	1,693	1,273
Acceptance credits/bills accepted	53	82	77
Documentary credits	3,414	2,554	1,471
Commitments to extend credit	30,861	19,874	13,270
- Original term of maturity of one year or less	26,745	18,061	11,896
- Original term of maturity of more than one year	4,116	1,813	1,374
Other credit related commitments	22,106	23,602	16,528
Total	59,019	48,116	33,024

43. Contingent liabilities

Like any other financial institution, Fortis Bank Nederland is involved as defendant in various claims, disputes and legal proceedings, arising in the ordinary course of the banking business.

Fortis Bank Nederland makes provisions for such matters when, in the opinion of management, who consult with legal advisors, it is probable that a payment will have to be made by Fortis Bank Nederland, and when the amount can be reasonably estimated (see note 27 Provisions).

Fortis Bank Nederland was recently confronted with complaints related to the Groeivermogen products. These complaints are based on the allegation of violation of 'duty to care'. The present assessment of the legal risk involved in this matter does not merit the creation of material provisions.

In respect of further claims and legal proceedings against Fortis Bank Nederland of which management is aware (and which, according to the principles outlined above, have not been provided for), it is the opinion of management, after due consideration of appropriate professional advice, that such claims are without merit, can be successfully defended or that the outcome of these actions is not expected to result in a significant loss in the Fortis Bank Nederland financial statements.

44. Lease agreements

The following table reflects future commitments for non cancellable operating leases as of 31 December.

	2006	2005	2004
Not later than 3 months			
Later than 3 months and not later than 1 year	2	8	9
Later than 1 year and not later than 5 years	11	11	14
Later than 5 years			1
Total	13	19	24

45. Funds under management

Funds under management include the investment funds managed by Fortis Bank Nederland and all assets of clients which are not on the balance sheet of Fortis Bank Nederland and on which Fortis Bank Nederland earn a management or advice fees. Assets which are kept in custody but where Fortis Bank Nederland has no further involvement in, are excluded.

The line intercompany elimination in the various tables is for the funds under management of customers invested in funds managed by Fortis Bank Nederland.
The following table provides a break down of Funds under management by investment type and origin.

	2006	2005	2004
31 December			
Investments for own account:			
- Debt securities	3,575	6,345	6,975
- Equity securities	431	549	387
- Real estate	3	4	4
- Other	907	820	852
	4,916	7,718	8,218
Funds under Management:			
- Debt securities	13,749	12,064	12,004
- Equity securities	19,331	14,660	11,626
- Real estate	4	6	
- Intercompany	(2,376)		
	30,708	26,730	23,630
Total assets under management	35,624	34,448	31,848

The changes in the funds under management per segment are presented below:

	Retail banking	Merchant banking	Commercial & Private banking	Other		Total
Closing balance at 31 December 2004			20,729	2,900		23,630
In/out flow			1,426	(230)		1,195
Market gains /losses			2,430	26		2,456
Other			380	(930)		(551)
Balance at 31 December 2005			24,965	1,766		26,730
In/out flow	189	24	4,629	(279)	(200)	4,363
Market gains /losses	(26)	45	2,068		(101)	1,986
Other	1,016	(1)	(295)	(1,016)	(2,075)	(2.371)
Balance at 31 December 2006	1,179	67	31,367	471	(2,376)	30,708

Other of EUR 1,016 relates to the funds under management of Fortis ASR Hypotheekbedrijf that were transferred to ASR Bank NV

Company Financial Statements Fortis Bank Nederland (Holding) N.V.

Company balance sheet

(before appropriation of profit)

	31 December 2006	31 December 2005	31 December 2004
Assets			
Cash and cash equivalents	180	742	494
Assets held for trading	709	821	600
Due from banks	4,878	4,694	3,475
Due from customers	653	254	5
Investments:			
- Associates and joint ventures			1
			1
Participation intrest in group companies	6,445	5,385	3,688
Accrued interest and other assets	74	80	62
Total assets	12,939	11,976	8,325
Liabilities			
Liabilities held for trading	17	85	28
Due to banks	57	74	8
Due to customers	3	101	105
Debt certificates	4,782	4,609	3,204
Subordinated liabilities	1,543	1,077	845
Current and deferred tax liabilities	549	354	186
Accrued interest and other liabilities	78	63	34
Total liabilities	7,029	6,363	4,410
Issued capital and reserve	5,910	5,613	3,915
Total liabilities and equity	12,939	11,976	8,325

Company income statement

	2006	2005	2004
Result from participating intrests after taxes	1,135	1,052	443
Other result after taxes	22	(3)	(27)
Net profit attributable to shareholders	1,157	1,049	416

Company statement of changes in equity

	Share Capital	Share Premium reserve	Other reserves	Currency translation reserve	Net profit attributable to shareholders	Legal statutory reserves	Unrealised gains and losses	Total
Balance at 31 December 2004	459	1,637	1,197	(4)	416	43	167	3,915
Net profit for the period					1,049			1,049
Foreign exchange differences				2				2
Transfer			416		(416)			
Increase of capital	39	557						595
Dividend								
Available for sale							32	32
Other			(4)			21	2	20
Balance at 31 December 2005	497	2,194	1,609	(2)	1,049	64	201	5,613
Net profit for the period					1,157			1,157
Foreign exchange differences				(4)				(4)
Transfer			1,049		(1,049)			
Increase of capital								
Dividend			(770)					(770)
Available for sale							(84)	(84)
Other			(13)			11		(2)
Balance at 31 December 2006	497	2,194	1,875	(6)	1,157	75	117	5,910

Note: Legal and statutory reserves include non-distributable profit of participations, relating to the positive revaluation of financial instruments through the income statement that are not traded on an active market, in accordance with Part 9, Book 2 of the Netherlands Civil Code (BW 2, article 390(1))

Explanatory notes to the balance sheet and income statement

General

The company financial statements are part of the 2006 Financial Statements of Fortis Bank Nederland (Holding) N.V. The information provided in the notes to the consolidated balance sheet and income statement also applies to the company financial statements, unless stated otherwise below.

In the separate profit and loss account of Fortis Bank Nederland (Holding) N.V., use has been made of the exemption referred to in Section 402 of Book 2 of the Netherlands Civil Code.

Principles for the measurement of assets and liabilities and the determination of the result

In determining the principles for the recognition and measurement of assets and liabilities and determination of the result for its separate financial statements, Fortis Bank Nederland (Holding) N.V. makes use of the option provided in section 2:362 (8) of the Netherlands Civil Code. This means that the principles for the recognition and measurement of assets and liabilities and determination of the result (hereinafter referred to as principles for recognition and measurement) of the separate financial statements of Fortis Bank Nederland (Holding) N.V. are the same as those applied for the consolidated EU-IFRS financial statements. Participating interests over which significant influence is exercised are stated on the basis of the equity method. These consolidated EU-IFRS financial statements are prepared according to the standards laid down by the International Accounting Standards Board and adopted by the European Union (hereinafter referred to as EU-IFRS).

The share in the result of participating interests consists of the share of Fortis Bank Nederland (Holding) N.V. in the result of these participating interests. Results on transactions, where the transfer of assets and liabilities occurs between Fortis Bank Nederland (Holding) N.V. and its participating interests and between participating interests themselves, are done at arm's length basis.

Assets held for trading

The following table provides a specification of the assets held for trading as at 31 December.

	2006	2005	2004
Debt securities:			
- Corporate debt securities	24	67	
Total trading securities	24	67	
Derivative financial instruments			
Over the counter (OTC)	685	754	600
Total derivative financial instruments	685	754	600
Total assets held for trading	709	821	600
Fair value of trading securities by observable market data	24	67	

Due from banks

'Due from banks' consists of the following at 31 December.

	2006	2005	2004
31 December 2006			
Interest-bearing deposits	3,761	3,440	2,195
Loans and advances	473	473	472
Securities lending transactions	227	227	227
Other	417	554	581
Total	4,878	4,694	3,475

Participating interests in group companies

Movements in participating interests in group companies are shown below.

	2006	2005	2004
31 December 2006			
Balance at 1 January	5,385	3,688	3,261
Share of profit from participating interests	1,135	1,052	443
Foreign exchange differences	(2)	8	(4)
Other changes	(73)	637	(12)
Total	6,445	5,385	3,688

Other changes for the year 2005 mainly caused by the the acquisition of Generale Belgian Holding.

Debt certificates

Debt certificates include bond and other issued negotiable debt certificates, such as certificates of deposit and accepted bills issued by the company, which are not subordinated, with either fixed or floating interest rates.

	2006	2005	2004
31 December 2006			
Savings certificates	102	206	211
Commercial paper	4,452	4,177	2,767
Other	227	227	227
Total debt certificates	4,782	4,609	3,204

Subordinated liabilities

The bonds and loans referred to under this item are subordinated to all current and future liabilities. Early redemption in full or in part requires the permission of the Dutch Central Bank.

Issued capital and reserve

Share capital

Authorised share capital amounts to EUR 1,000,022,014 distributed over 1,453,709 ordinary shares, 750,001 non-cumulative preference shares and 1 cumulative preference share, each share having a nominal value of EUR 453.79.

Issued and paid-up capital amounts to EUR 497.3 million ordinary shares and EUR 106.7 million preference shares distributed over 1,095,733 ordinary shares, 235,210 non-cumulative preference shares and 1 cumulative preference class-E share (interest rate of 7.7%), each with a nominal value of EUR 453.79. The non-cumulative preference shares comprise 40,048 class-B shares (interest rate of 4.25%), 195,161 class-C shares (interest rate of 5.5%) and 1 class-D share without a predefined payout ratio. The preference shares are, in compliance with EU-IFRS financial statements reported as subordinated liabilities

Assets and liabilities of group companies

The following assets and liabilities are with group companies:

	2006	2005	2004
31 December 2006			
Cash and cash equivalents	165	675	494
Assets held for trading	21	87	28
Due from banks	473	473	473
Due from customers	653	254	5
Accrued interest and other assets	57	47	34
Liabilities held for trading	16	63	28
Due to banks	49	68	5
Due to customers	1		
Debt certificates	8		
Subordinated liabilities	473	473	473
Accrued interest and other liabilities	50	43	33

Rental and lease commitments

There were no long-term rental or lease commitments at year-end 2006.

Issued guarantees

In addition to the amounts shown on the balance sheet, there are unquantified guarantees under the collective guarantee scheme by virtue of Article 84 of the Credit System Supervision Act of 1992.

For a few group companies established in the Netherlands, general guarantees have been issued within the scope of Article 403, Book 2 of the Netherlands Civil Code (see the note regarding the list of the major subsidiaries and associated companies of Fortis Bank Nederland. Subsidiaries for which a general guarantee has been issued are marked with a note).

Remuneration of Executive Board

Reference is made to note 9 of the consolidated financial statements.

Utrecht, 26 March 2007

Other information

Executive Board

J.C.M. van Rutte (Chairman)

F.J. van Lanschot

H.P.F.E. Bos

Supervisory Board

A.M. Kloosterman (Chairman)

M.A. Clijsters

K.A.M. De Boeck

P.J.A. Depovere

F.R.J. Dierckx

H.C.L. Verwilst

Branches, major subsidiaries and associated companies

Branches of Fortis Bank (Nederland) N.V.:	Interest (%):
Frankfurt, Germany	
Oslo, Norway	

Major consolidated companies:

Fortis Bank (Nederland) NV., Rotterdam [1]	100
ALFAM Holding N.V., Bunnik [1]	100
Fortis ASR Bank NV., Utrecht [1]	100
Fortis ASR Hypotheekbedrijf N.V., Utrecht	100
Fortis ASR Praktijkvoorziening N.V., Utrecht	100
Fortis ASR Woninghypotheken N.V., Utrecht	100
B.V. Financieringsmaatschappij N.O.B., Amsterdam	100
Direktbank NV., Amsterdam [1]	100
Delphinus 2000-1, 2000-2, 2001-1, 2001-2, 2002-1, 2002-2, 2003-1, 2003-2, 2004-1, 2004-[2]	0
DMBS 97-II, 98-I, 99-III, 2001-I [2]	0
Fortis Bank Global Clearing N.V., Amsterdam [1]	100
Fortis Chameleon B.V., Amsterdam	100
Fortis Commercial Finance Holding N.V., 's-Hertogenbosch [1]	100
Fortis Groenbank BV., Amsterdam [1]	100
Fortis GSLA BV., Amsterdam	100
Fortis Hypotheek Bank NV., Rotterdam [1]	100
Fortis Investments Mortgage Securities B.V., Utrecht [2]	0
Fortis Private Equity Holding Nederland B.V., Utrecht	100
Fortis Intertrust (Netherlands) BV., Amsterdam	100
Fortis Intertrust Group Holding SA, Geneva	100
NeSBIC Groep B.V., Utrecht	100
Solid 2004-I [2]	0

International Card Services B.V. Amsterdam [1]	100
Fortis Bank (Cayman) Ltd., George Town, Cayman Islands	100
Fortis Bank (Curaçao) N.V., Willemstad, Netherlands Antilles	100
Fortis (Hong Kong) Ltd., Hong Kong	100
Fortis Capital Company Limited, St. Helier, Jersey	5
Fortis Clearing Sydney Pty., Sydney, Australia	100
Fortis Fund Services (Ireland) Limited, Dublin, Ireland	100
Fortis Prime Fund Solutions Administation Services (Ireland) Limited	100
Fortis Holding (UK) Ltd., London, United Kingdom	100
Fortis Information Bank Holding (Ireland) Limited, Dublin, Ireland	100
Fortis Prime Fund Solutions Bank (Ireland) Limited, Dublin, Ireland	100
Intertrust Group N.V., Willemstad, Netherlands Antilles	100
Fortis (C.I) Limited, St Peter Port, Guernsey, Channel Islands	75
FBN Holding International AG, Zug, Switzerland	100
MeesPierson (Isle of Man) Limited, Douglas, Isle of Man	100
Fortis Private Banking Singapore Ltd., Singapore	100

Major non-consolidated companies:

Holland Venture B.V., Amsterdam	33
Kas Bank N.V.	11

The full list of participating interests as referred to in Article 414, Book 2 of the Netherlands Civil Code has been filed with the Trade Register.

1) A statement of liability within the meaning of Article 403, subsection 1, paragraph f, Book 2 of the Netherlands Civil Code has been issued for these companies.

2) Securitisation transactions are consolidated in the financial figures of Fortis Bank Nederland because Fortis Bank bears the full financial risk of those transactions.

Subsequent events

There have been no material subsequent events after the balance sheet date that need to be reported.

Provisions of the Articles of Association concerning profit appropriation

Profit appropriation will occur in accordance with Article 19 of the Articles of Association of Fortis Bank Nederland (Holding) N.V., which reads as follows:

Article 19

19.1. The company may only make distributions to shareholders and other persons entitled to the profit available for distribution up to the amount of the distributable reserves at the maximum.

19.2. Distribution of profit shall be made after the adoption of the annual accounts from which it appears that it is permitted.

19.3. The profit - insofar as payable - shall be distributed as follows:

a. To the holders of non-cumulative preference shares A and B on the nominal amount of the shares annually a dividend amounting to the percentage mentioned sub 3.b, to be distributed in the form of preference shares B or in cash, as desired by the holders of the preference shares A and B, whereby the nominal amount of the preference shares B shall apply as basis for calculating the number of shares to be allocated to a holder of preference shares A and B.

The part of the dividend to which a holder of preference shares A and B is entitled which is not sufficient to be distributed in the form of preference shares B, shall be distributed in cash.

b. Up to and including thirty-one May two thousand four the percentage referred to sub 3.a shall amount to six (6).

As per the first day of June two thousand four and every ten years thereafter the percentage mentioned sub 3.a shall be adjusted and be equal to the arithmetic average of the effective return of Dutch government loans with a remaining duration of nine/ten years, as fixed by the Central Statistical Bureau and published in the Official Price List of the Amsterdam Exchanges N.V. on the last twenty stock exchange days prior to the day of adjusting the dividend percentage rounded off to the nearest quarter percent.

As per the first day of June two thousand four the percentage referred to in sub 3.a. shall amount to four and a quarter (4.25).

c. To the holders of non-cumulative preference shares C on the nominal amount of the shares annually a dividend amounting to the percentage mentioned sub 3.d. to be distributed in the form of preference shares C or in cash, as desired by the holders of the preference shares C, whereby the nominal amount of the preference shares C shall apply as basis for calculating the number of shares to be allocated to a holder of preference shares C.

The part of the dividend to which a holder of preference shares C is entitled which is not sufficient to be distributed in the form of preference shares C, shall be distributed in cash.

d. Up to and including thirty-one December two thousand seven the percentage referred to sub 3.c. shall amount to five and a half (5½).

As per the first day of January two thousand eight and every ten years thereafter the percentage mentioned sub 3.c shall be adjusted and be equal to the arithmetic average of the effective return of Dutch government loans with a remaining duration of nine/ten years, as fixed by the Central Statistical Bureau and published in the Official Price List of the Amsterdam Exchanges N.V. on the last twenty stock exchange days prior to the day of adjusting the dividend percentage rounded down to the nearest quarter percent.

e. The holders of preference shares A, B and C shall equally participate in the profit available for distribution.

If the profit available for distribution is not sufficient to pay the entire preference dividend, the profit available for distribution shall be distributed among the holders of preference shares A, B and C in relation to the dividend percentage they are entitled to.

f. There shall not be made any distribution of profit as referred to afore sub 3.a., 3.b., 3.c. or 3.d. to the holders of preference shares A, B and C who do not have any right of accumulation.

g. Insofar the account allows this, (i) an annual dividend amounting to seven seven/tenth percent (7.7%) to be calculated on the amount paid on the participating share E, plus (ii) (such part of) the amount mentioned under (i) that was not distributed or was not distributed in full to the participating shareholder E in any previous financial year on account of insufficient profits, shall be distributed to the participating shareholder E.

After distribution in full of the amount referred to in the previous provisions of this subparagraph g. in the manner as described therein, an annual dividend amounting to an amount equal to the remaining part of the profits available for distribution shown in the account, shall be distributed to the participating shareholder D.

h. No distribution of profits in excess of those referred to in 3.g. hereinbefore shall be made to the participating shareholder D and the participating shareholder E.

19.4. Subsequently from the profit reserves shall be formed as the managing board with the approval of the supervisory board shall determine.

19.5. The part then remaining shall be distributed as dividend on the ordinary shares.

19.6. At calculating the allocation of profit of shares that the company holds in its own capital do not count, unless these shares have been charged with a usufruct.

19.7. Insofar as there is profit in the company the managing board with the approval of the supervisory board may decide to distribute an interim dividend for the account of the dividend to be expected, provided the provisions of paragraph 1 afore have been met, from which it appears that an interim balance sheet as referred to in article 105 paragraph 4 of Volume 2 of the Dutch Civil Code.

19.8. At the proposal of the managing board approved by the supervisory board the general meeting may decide to make distributions to holders of ordinary shares for the account of one or more reserves that need not be maintained according to the law of the articles of association.
The provisions of paragraphs 1, 2, 7 and 9 of this article shall then apply accordingly.

19.9. The decisions to distribute (interim) dividend may comprehend that (interim) dividends are not distributed entirely or partially in cash but in shares in the company or in a subsidiary.

19.10. (Interim) dividends shall be made payable on a day set by the managing board.

19.11. (Interim) dividends not disposed of five years after being declared shall accrue to the company.

Profit appropriation

A proposal will be submitted to the General Meeting of Shareholders to add the profit to the reserves after paying out a dividend of EUR 6.0 million to the holders of preference shares under the terms of Article 19 of the Articles of Association and a dividend of EUR 575 million to the ordinary shareholders. Of the dividend on the ordinary shares already EUR 500 million is paid out as interim-dividend in December 2006.

The profit appropriation is as follows (x EUR 1 million):

Addition to reserves	582
Dividend on ordinary shares	575
Total Profit	1,157
Preference dividend	6.0

The dividends on the preference shares are recognised in the income statement as interest expense in compliance with EU-IFRS financial statements

To: the Executive Board of Fortis Bank Nederland (Holding) N.V.

Auditor's report

Report on the financial statements

We have audited the financial statements 2006 of Fortis Bank Nederland (Holding) N.V., Utrecht, for the year 2006. These financial statements consist of the consolidated financial statements and the company financial statements as set out on pages 7 to 147 and 149 to 156. The consolidated financial statements comprise the consolidated balance sheet as at 31 December 2006, 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. The company financial statements comprise the company balance sheet as at 31 December 2006, the company profit and loss account for the year then ended and the 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 management board report 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 with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Fortis Bank Nederland (Holding) N.V. as at 31 December 2006, and of its result and its cash flow 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.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of Fortis Bank Nederland (Holding) N.V. as at 31 December 2006, and of its result for the year then ended in accordance 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 Report of the Executive Board is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Amstelveen, 26 March 2007

KPMG ACCOUNTANTS N.V.

J.J.A. van Nek RA

Together, the Annual Review 2006 and the Financial Statements 2006 constitute the Annual Report of Fortis Bank Nederland (Holding) N.V.. The Financial Statements contain the financial statements and the statutory accounts of Fortis Bank Nederland (Holding) N.V..

Fortis Bank Nederland (Holding) N.V.

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Mixed Sources
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