Annual Report 2005 Fortis Finance N.V.

Fortis Finance N.V.
Archimedeslaan 6
3584 BA Utrecht
Tel. +31 (0)30 226 69 42
Fax +31 (0)30 226 98 35

Contents

Report of the Board of Directors on the 2005 financial year

General

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

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

International financial reporting standards

In 2005, as a result of the implementation of IFRS, the accounting rules of Fortis Finance N.V. have changed. As the company does not take material interest rate positions, there was only a limited impact on its figures. Comparable figures of 2004 have been adjusted accordingly.

Results and appropriation of profit

In 2005 Fortis Finance N.V. made a net profit after tax of EUR 7,334,000 (2004: EUR 4,307,000). The increase in result was caused by a combination of factors: a higher interest margin, lower costs and lower taxes (tax rates in The Netherlands have been reduced in general). Subject to the approval of the shareholder this amount will be entirely added to the other reserves.

Prospects

The financial results of Fortis Finance N.V. depend largely on frequency and the total volume of funding provided. Up to 2003 Fortis Finance N.V. provided funding to finance mortgage portfolios of Fortis' Dutch insurance entities, as in the Netherlands mortgages are not only sold via banks, but also sold via insurance intermediaries on a large scale. These mortgage portfolios were transferred to Fortis banking arm in 2003. As a result the funding volumes provided by Fortis Finance decreased in 2004 and 2005; the company will experience a further structural decline of this specific financing activity going forward.

Management change

In 2005 there was a change in the management of the company. After having chaired the management board of the company for many years, Michel Baise has left the company. He was succeeded by Mr. Patrick Depovere. Also, Mr. Frank Van Gansbeke has left the board of Fortis Finance and was succeeded by Mr. Jean Dessain.

We would like to express our gratitude for the work that Mr. Michel Baise and Mr. Frank Van Gansbeke have performed on behalf of the company.

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

We like to take this opportunity to express our gratitude to those who worked on behalf of the company in 2005.

Utrecht, 20 June 2006

The management board:

P. Depovere

J.H. Brugman

J. Dessain

A.H.W.M. van der Plas

Financial statements

Income statement

For the year ended 31 December	Note	2005	2004
In thousands of euro			
Financial income	2	975,571	1,385,072
Financial expenses	2	(963,648)	(1,375,445)
Net Financial Margin		**11,923**	**9,627**
Operating expenses	1	(506)	(429)
Rating expenses		(379)	(645)
EMTN program expenses		(263)	(155)
Operating profit before tax		**10,775**	**8,398**
Income tax expense	3	(3,441)	(4,091)
Profit for the period		**7,334**	**4,307**

Balance sheet

(before proposed profit appropriation)

As at 31 December 2005		2005	2004
In thousands of euro			
	Note		
Assets			
Due from group companies	6	7,881,707	11,797,318
Deferred tax assets	5	279	335
Derivatives and other receivables	7	549,377	582,583
Cash and cash equivalents	8	1,321,039	3,843,979
Total assets		**9,752,402**	**16,224,215**
Equity			
Issued capital		125	125
Retained earnings		22,830	18,523
Profit for the year		7,334	4,307
Total equity	9	**30,289**	**22,955**
Liabilities			
Interest-bearing loans and borrowings	10	7,056,334	11,308,936
Interest-bearing subordinated loans	10	914,201	1,004,927
Bank overdrafts	8	1,282,410	3,289,294
Tax payable	4	1,628	1,312
Derivatives and other payables	11	467,540	596,791
Total liabilities		**9,722,113**	**16,201,260**
Total equity and liabilities		**9,752,402**	**16,224,215**

Statement of changes in net equity

For the year ended 31 December 2005		*2005*	*2004*
In thousands of euro			
	Note		
Balance beginning of year		22,955	18,648
Profit for the period/Total income or expense		7,334	4,307
Balance end of year		**30,289**	**22,955**

Statement of cash flows

For the year ended 31 December	Note	2005	2004
In thousands of euro			
Cash and cash equivalents – Balance at 1 January		3,843,979	2,104,830
Bank Overdrafts – Balance at 1 January		**(3,289,294)**	**(2,751,507)**
Total cash and cash equivalents/ bank overdrafts at 1 January		**554,685**	**(646,677)**
Cash flows from operating activities			
Net profit		7,334	4,307
Net changes in operating assets and liabilities		(10,702)	(186,487)
Net cash from operating activities		**(3,368)**	**(182,180)**
Cash flows from Investing activities			
Cash receipt from customers (deposits, long term loans)		**3,915,611**	**3,406,457**
Cash flows from financing activities			
Proceeds from derivatives		19,069	128,147
Repayment of borrowings (subordinated, debt certificates, long term liabilities, straight loans)		(4,343,328)	(1,875,929)
Payment of derivatives		(104,040)	(275,133)
Net cash from financing activities		**(4,428,299)**	**(2,022,915)**
Cash and cash equivalents– Balance at 31 December		1,321,039	3,843,979
Bank overdrafts – Balance at 31 December		(1,282,410)	(3,289,294)
Total cash and cash equivalents/ bank overdrafts at 31 December		**38,629**	**554,685**

Notes to the financial statements

Accounting policies

General information

Fortis Finance NV is a company domiciled in The Netherlands.
The address is Archimedeslaan 6,
3584 BA Utrecht.
The company is registered with the chamber of Commerce in Utrecht under
Number 30055940 0000.
Fortis Insurance NV holds all the shares of Fortis Finance.

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

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

The financial statements were authorised for issue by the directors on 20 June 2006.

a) **Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and its interpretations as adopted by the European Community. These are Fortis Finance NV first financial statements and IFRS 1 has been applied.

An explanation of how the transition to IFRSs has affected the reported financial position and financial performance is provided in note 14.

b) **Basis of preparation**

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

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

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

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing an opening IFRS balance sheet at 1 January 2004 for the purposes of the transition to IFRSs.

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

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

c) Foreign currency

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

d) Derivative financial instruments

Fortis Finance NV uses derivative financial instruments to economically hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, Fortis Finance NV does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are recognised initially at cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss.

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

e) **Due From Group Companies**

Amounts due from group companies are measured at amortised cost or at fair value through Income statement. The classification and subsequent measurement of the individual loans is dependent on the structuring of the funding of the deal. If a derivative is involved, the amount due from a group company is classified at fair value through income statement; otherwise at amortised cost.

f) **Derivatives and other receivables**

(i) *Derivatives*
Derivatives are stated at fair value, see (d)

(ii) *Other receivables*
Other receivables are stated at their cost.

g) **Cash and cash equivalents/ bank overdrafts**

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of Fortis Finance NV cash management are included as a component of cash and cash equivalents.

h) **Impairment**

Assets are regularly reviewed on impairment. If the carrying amount is higher than the recoverable amount, impairment is recorded to make the carrying amount equal to the recoverable amount (net discounted value of the expected cash flows).

i) **Interest-bearing borrowings**

Interest-bearing borrowings which are linked with derivatives are recognised at fair value through Income statement. All other interest-bearing borrowings and interest-bearing subordinated loans are stated at amortised cost.

j) **Derivatives and other payables**

(i) *Derivatives*
` Derivatives are stated at fair value.

(ii) *Other payables*
Other payables are stated at their cost.

k) **Financial income and expenses**

Income is recognised in the income statement when increase in future economic benefits related to an increase in an asset or a decrease in a liability has arisen that can be measured reliably. Expenses are recognised in the income statement when decrease in future economic benefits related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

l) Income tax

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates applicable at the balance sheet date, and any adjustment to tax payable in respect of previous years.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax assets and liabilities are calculated based on the tax rates enacted or substantially enacted at balance sheet for the periods when the tax is expected to become current.

Notes to the financial statements

1. Operating expenses

In thousands of euro	*2005*	*2004*
Recharges from group companies	100	100
Bank costs	6	47
Audit costs	65	118
Consulting costs cashpool system	16	--
Maintenance treasury application	32	82
Backoffice/Frontoffice fees charged by group companies	258	48
Other	29	34
	506	**429**

2. Net financial margin

In thousands of euro	*2005*	*2004*
Interest income loans	373,730	422,507
Interest income derivatives	224,277	397,695
Interest income cash and cash equivalents	85,647	79,191
Interest related income	2,383	1,618
(Un) realised gains on derivatives	270,568	439,473
Foreign exchange gains arising	12,080	--
Net gain on re-measurement from loans at fair value	6,730	44,516
Other	156	72
Financial income	**975,571**	**1,385,072**
Interest expenses loans and borrowings	(329,297)	(388,120)
Interest expenses subordinated loans	(60,145)	(64,659)
Interest expenses derivatives	(203,106)	(356,958)
Interest expenses cash and cash equivalents	(79,840)	(80,234)
Interest related expenses	(1,793)	(1,643)
(Un) realised loss on derivatives	(185,596)	(292,487)
Net loss on re-measurement from loans at fair value	(103,871)	(191,344)
Financial expenses	**(963,648)**	**(1,375,445)**
Net financing costs	**11,923**	**9,627**

3. Income tax expense

Recognised in the income statement

In thousands of euro	*2005*	*2004*
Current tax expense		
Current year tax expense	3,410	3,731
Adjustments for prior years	(25)	331
	3,385	4,062
Deferred tax expense		
Origination and reversal of temporary differences	(17)	29
Reduction in tax rate	73	--
	56	29
Total income tax expense in income statement	**3,441**	**4,091**

Reconciliation of effective tax rate

In thousands of euro	*2005*	*2005*	*2004*	*2004*
Profit before tax		10,775		8,398
Income tax using the domestic corporate tax rate	31.5%	3,393	34.5 %	2,893
Effect tax rate change on deferred tax assets and liabilities		73		
Additional tax on low margin loans		--		897
Under / (over) provided in prior years		(25)		331
	31.9%	**3,441**	**48.7%**	**4,091**

The additional tax on low margin deals has been rebilled to the beneficiaries.

4. Current tax assets and liabilities

The current tax liability of 1,628,000 EUR (2004: 1,312,000 EUR) represents the amount of income taxes payable in respect of current and prior periods.

5. Deferred tax assets and liabilities

The Deferred taxes are attributable to the revaluation of assets and liabilities at fair value. For tax purposes the assets and liabilities, including SWAP's are valued at amortised cost. This leads to the follow assets and liabilities.

	2005	*2004*
In thousands of euro		
Deferred tax asset on revaluation of liablilties	85,140	90,322
Deferred tax liability on revaluation of assets	(84,861)	(89,987)
Net tax asset	**279**	**335**

6. Due from group companies

In thousands of euro	*2005*	*2004*
Due from group companies at amortised cost	5,639,071	7,466,846
Due from group companies held at fair value	2,242,636	2,704,631
Due from group companies, Short time deposits at amortised cost	--	1,625,841
Total	**7,881,707**	**11,797,318**

The amortised cost of the loans held at fair value is EUR 2,190.045 mln end of 2005 and EUR 2,645,003 end of 2004.

7. Derivatives and other receivables

In thousands of euro	*2005*	*2004*
Accrued interest	319,173	340,672
Other receivables and pre-payments	13,456	6,094
Fair value derivatives	216,748	235,817
	549,377	**582,583**

8. Cash and cash equivalents/ bank overdrafts

In thousands of euro	*2005*	*2004*
Bank balances	1,307	1,170
Call deposits	1,012,000	1,008,000
Current accounts	307,732	2,834,809
Cash and cash equivalents	1,321,039	3,843,979
Bank overdrafts	(1,282,410)	(3,289,294)
Cash and cash equivalents/ bank overdrafts in the statement of cash flows	**38,629**	**554,685**

9. Capital and reserves

The movements in capital and reserves for the years ended 2004 and 2005 are as follows:

In thousands of euro	*Share capital*	*Profit of the year*	*Retained earnings*	*Total*
Balance at 1 January 2004	125		18,523	18,648
Total recognised income and expense		4,307		4,307
Balance at 31 December 2004	**125**	**4,307**	**18,523**	**22,955**
Allocation of profit		(4,307)	4,307	0
Total recognised income and expense		7,334		7,334
Balance at 31 December 2005	**125**	**7,334**	**22,830**	**30,289**

At 31 December 2005, the authorised share capital comprised 1000 ordinary shares (2004: 1000), par value of EUR 500. At 31 December 2005, 250 shares were issued and fully paid up. During 2004 and 2005 no new shares were issued nor were own shares bought back by the company

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

10. Interest-bearing loans and borrowings

The loans and borrowings can be analysed as follows:

In thousands of euro	*2005*	*2004*
Other borrowings due to customers – other	7,024,428	8,956,063
Other borrowings due to customers – group company's	9,962	10,146
Private loans	21,944	24,804
Current account group companies	--	1,830,000
Debt certificates (Euro CP Program)	--	487,923
Total loans and borrowings	**7,056,334**	**11,308,936**
Subordinated loans – other	898,319	961,818
Subordinated loans from group company's	15,882	43,109
Total subordinated loans	**914,201**	**1,004,927**
Total interest bearing loans and borrowing	**7,970,535**	**12,313,863**

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

Loans and borrowings at fair value	2,381,388	2,579,099
Loans and borrowings at amortised cost	5,589,147	9,734,764
Total loans and borrowings	**7,970,535**	**12,313,863**

The amortised cost of the loans and borrowings at fair value amounted to EUR 2,261.2 million at 31 December 2005 (2004 EUR 2,536.7 million) The average interest paid on the loans and borrowings was 4.91% in 2005 and 4.50 % in 2004.The maturity schedule of the loans and borrowings can be fond in note 12

11. Derivatives and other payables

In thousands of euro	*2005*	*2004*
Accrued interest	316,901	340,766
Other payables and accrued expenses	1,496	2,842
Fair value derivatives	149,143	253,183
	467,540	**596,791**

12. Risk management

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

Credit risk

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

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

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

Interest rate risk

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

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

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

At December 31, 2004	*less than 6 months*	*6 up to 12 months*	*1 up to 2 years*	*2 up to 5 years*	*5 years and over*	*total*
Cash and cash equivalents/ bankoverdrafts	554,685					554,685
Total financial assets	6,306,455	265,785	43,394	3,001,593	2,180,091	11,797,318
Financial liabilities	(5,578,106)	(296,552)	(209,859)	(3,313,240)	(2,916.106)	(12,313,863)
interest GAP on balance	**1,283,034**	**(30,767)**	**(166,465)**	**(311,647)**	**(736,015)**	**38,140**
Swap's	(1,341,040)	35,766	165,187	310,414	829,673	0
Net interest gap	**58,006**	**4,999**	**(1,278)**	**(1,233)**	**93,658**	**38,140**

Liquidity risk

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

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

maturity schedule 2004	*less than 6 months*	*6 up to 12 months*	*1 up to 2 years*	*2 up to 5 years*	*5 years and over*	*total*
Cash and cash equivalents/ bank overdrafts	554,685					554,685
Financial assets	3,485,686	248,867	1,473,095	3,425,869	3,163,801	11,797,318
Financial liabilities	(4,104,694)	(258,494)	(1,398,741)	(3,468,328)	(3,083,606)	(12,313,863)
Liquidity GAP	**(64,323)**	**(9,627)**	**74,354**	**(42,459)**	**80,195**	**38,140**

Sensitivity analysis

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

At 31 December 2005, it is estimated that a general increase of one percentage point in interest rates would not have a material impact on the earnings of the company.

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

Estimation of fair values

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

Derivatives

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

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

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

Interest rates used for determining fair value
The entity uses the mid-swap curve of Fortis Bank Belgium as of 31 December 2005 without an adequate constant credit spread to discount financial instruments.

13. Related parties

The purpose of Fortis Finance is to provide funding for the Fortis Group and Group companies. All funding transactions are lend-on to other Fortis entities. The pricing of the on lending is not always at market rates., but at the lowest rates possible given fiscal rules and regulations. In 2004 some of the loans generated a lower margin than was required from tax perspective. This resulted in additional tax payable. The additional taxes were recharged to the beneficiaries.

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

14. Explanation of transition to IFRSs

As stated in note 1(a), these are Fortis Finance NV first financial statements prepared in accordance with IFRSs.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 December 2005. the comparative information presented in these financial statements for the year ended 31 December 2004 and in the preparation of an opening IFRS balance sheet at 1 January 2004 (Fortis Finance NV date of transition).

In preparing its opening IFRS balance sheet, Fortis Finance NV has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (previous GAAP). An explanation of how the transition from previous GAAP to IFRSs has affected Fortis Finance NV financial position and financial performance is set out in the following tables and the notes that accompany the tables.

a) Impact financial position

In thousands of euro	*Previous GAAP*	*Effect of transition to IFRSs*	*IFRSs*
1 January 2004			
Assets			
Due from group companies	15,191,182	12,591	15,203,773
Deferred tax assets	--	364	364
Derivatives and other receivables	480,742	335,946	816,688
Cash and cash equivalents	2,104,830	--	2,104,830
Total assets	**17,776,754**	**348,901**	**18,125,655**
Equity			
Total equity	**19,338**	**(690)**	**18,648**
Liabilities			
Interest-bearing loans and borrowings	13,296,565	(151,880)	13,144,685
Interest-bearing subordinated loans	1,045,107	--	1,045,107
Bank overdrafts	2,751,507		2,751,507
Tax payable	2,212	--	2,212
Derivatives and other payables	662,025	501,471	1,163,496
Total liabilities	**17,757,416**	**349,591**	**18,107,007**
Total equity and liabilities	**17,776,754**	**348.901**	**18,125,655**

In thousands of euro	*Previous GAAP*	*Effect of transition to IFRSs*	*IFRSs*
31 December 2004			
Assets			
Due from group companies	11,749.656	47,663	11,797,319
Deferred tax assets	--	335	335
Derivatives and other receivables	369,413	213,170	582,583
Cash and cash equivalents	3,843,979	--	3,843,979
Total assets	**15,963,048**	**261,168**	**16,224,216**
Equity			
Total equity	**23,590**	**(635)**	**22,955**
Liabilities			
Interest-bearing loans and borrowings	11,278,678	30,258	11,308,936
Interest-bearing subordinated loans	1,004,927	--	1,004,927
Bank overdrafts	3,289,294		3,289,294
Tax payable	1,312	--	1,312
Derivatives and other payables	365,247	231,545	596,792
Total liabilities	**15,939,458**	**261,803**	**16,201,261**
Total equity and liabilities	**15,963,048**	**261,168**	**16,224,216**

Notes to the restatement of the financial position:

Fortis Finance has decided to measure financial assets and liabilities that are structured in deals that include derivatives at fair value through profit or loss.

The effect of measuring certain financial assets at fair value is the increase of the amounts Due from group companies by EUR 12.591.000 and EUR 47,663,000 at 1 January 2004 and 31 December 2004.

The measurement of all derivatives at fair value has increased Derivatives and other receivables by 335,946,000 EUR, and Derivatives and other payables by EUR 501,472,000 at 1 January 2004. At 31 December 2004 these amounts are EUR 213,170,000.and 231,547,000.

The effect of measuring certain interest-bearing loans and borrowings at fair value through profit or loss is a reduction of the carrying amount by EUR 151.880.000 and 30.258.000 respectively at 1 January 2004 and 31 December 2004.

The above changes increased the deferred tax asset as follows based on a tax rate of 34.5 per cent

	1 January 2004	*31 December 2004*
Increase tax assets, on negative revaluations	173,008	90,322
Increase tax liabilities on positive revaluations	(172,644)	(89,987)
Net deferred tax asset	**364**	**335**

The impact on net equity can be summarised as follows:

In Thousands EUR, after tax	*1 January 2004*	*31 December 2004*
Net equity prior GAAP	19,338	23,590
Revaluation Due from group companies	8,247	31,219
Revaluation derivatives	(108,418)	(12,036)
Revaluation borrowings	99,481	(19,818)
Net equity IFRS	18,648	22,955

.

Reconciliation of profit for 2004

In thousands of euro	*Note*	*Previous GAAP*	*Effect of transition to IFRSs*	*IFRSs*
Financial income		901,011	483,989	1,385,000
Financial expenses		(891,539)	(483,906)	(1,375,445)
Net financing costs		**9,472**	**83**	**9,555**
Other operating expenses		(357)	--	(357)
Rating expenses		(645)	--	(645)
EMTN program expenses		(155)	--	(155)
Operating profit before tax		8,315	83	8,398
Income tax expense		(4,062)	(29)	(4,091)
Profit for the period		**4,253**	**54**	**4,307**

Other information

Provisions of the articles of association concerning profit appropriation

Article 185 , subsection 1 and 2, of the Articles of Association reads:

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

Profits to the extent that the profit of the company is not required to maintain reserves which are prescribed by law, the profit remaining after prior-year losses not yet accounted for have been defrayed shall be at the disposal of the general meeting of shareholders. How any dividend is accounted for shall be determined by the member(s) of the management board. The management board may, with the approval of the supervisory board, distribute one or more interim dividends on account, prior to the adoption of the balance sheet and profit and loss account for any year may be distributed only after adoption of the annual accounts showing that such distribution is permissible. The profit shown in the adopted annual accounts may be disposed of by the general meeting of shareholders as it sees fit.

Profit appropriation

The management board of the company proposes that the profit of EUR 7,334,000 for the financial year will be entirely added to the other reserves.

Auditors' report

Introduction

We have audited the company financial statements which are part of the Annual report of Fortis Finance N.V., Utrecht, for the year 2005 as set out on pages 5 to 24. These company financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these company financial statements based on our audit.

Scope

We conducted our audit in accordance with auditing standards generally accepted in the Netherlands. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the company financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the company financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the company financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the company financial statements give a true and fair view of the financial position of the company as at 31 December 2005 and of the result and the cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and also comply with the financial reporting requirements included in Part 9 of Book 2 of the Netherlands Civil Code.

Furthermore we have established to the extent of our competence that the annual report is consistent with the company financial statements.

Utrecht, 20 June 2006

KPMG ACCOUNTANTS N.V.

H.P. van der Horst RA