



**FORTIS
BANK**

Solid partners, flexible solutions

Annual Report 2004
Fortis Bank Nederland
(Holding) N.V.

Table of contents

Profile	2
Objectives	4
Sustainability	4
Key figures	6
Board structure	7
Report of the Executive Board to the Shareholders	8
Report of the Executive Board for 2004	11
Financial statements for the year 2004	30
Other information	94

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 € 571 billion and shareholders' equity of € 14.4 billion, Fortis is one of the twenty largest financial institutions in Europe. With its sound solvency position, broad risk spread and the extensive expertise of its 51,000 employees, Fortis combines global strength with local flexibility to provide optimum support to its customers. As at 31 December 2004, Fortis Bank Nederland (Holding) N.V. had total assets of € 158 billion and 10,100 employees.

Fortis occupies a leading position in its home market, the Benelux countries, and aims to develop and reinforce that position. Fortis draws on the expertise it has acquired in its home market in order to realize its European ambitions via growth platforms. Fortis also successfully operates selected activities worldwide. It effectively exploits its expertise and experience in bancassurance in a number of countries in Europe and Asia.

Sustainable economic growth and social responsibility are important considerations for the way in which Fortis operates. Fortis is committed to the welfare of its millions of customers, and the company is deeply rooted in the local community.

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

Fortis Bank Nederland (Holding) N.V. is the holding company for all shares of Fortis Bank (Nederland) N.V. It originated from the merger of three banks: VSB Bank, Generale Bank Nederland and MeesPierson. Each of these banks has a long and impressive history.

Fortis Bank Nederland (Holding) N.V. is solely liable for the obligations arising out of the legal actions of Fortis Bank (Nederland) N.V., within the meaning of Article 403, subsection 1, paragraph f, Volume 2 of the Netherlands Civil Code.

Fortis Bank Nederland (Holding) N.V. (hereafter referred to as Fortis Bank Nederland) is the banking division of Fortis Bank S.A./N.V. 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. Its main activities are Network Banking, Merchant Banking and Information Services.

Fortis Bank Nederland offers its financial services under the 'Fortis Bank' brand, in addition to the Private Banking operations that operate under the well-known brand name of MeesPierson.

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. (consumer credit and mortgages), Fortis Groenbank B.V. (sustainable investments), MeesPierson Intertrust (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	Stable	P-1
Fitch Ratings	AA-	Stable	F1+

Objectives

Fortis has two core competences – banking and insurance – which will enable it to expand in its new home market, the enlarged European Union. It will pursue selective expansion in Asia and North America. Fortis aims to rank among the top European financial institutions and intends to achieve this goal through organic growth, supplemented with selective acquisitions and strategic partnerships.

Against this background, Fortis has decided to strive for accelerated growth while adhering to strict cost control. It aims to achieve average organic growth of net operating profit before realised capital gains of 10% per annum for the period 2005-2009 and to double to 30% the contribution to profits generated outside the Benelux countries in 2009.

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 is responsible for ensuring it contributes to the realisation of the overall objectives of Fortis.

Sustainability

Fortis Bank Nederland is, as part of Fortis, following the general policy regarding the sustainability of Fortis. For Fortis, Corporate Sustainability means conducting business in a responsible manner, achieving sustainable economic growth while anticipating the legitimate interests of our stakeholders, and taking social and environmental responsibility.

Over the past year, Fortis has revised its activities in the context of corporate sustainability in order to work in a more co-ordinated manner and establish a more tangible link with our strategic objectives and everyday business. The Executive Committee of Fortis has drawn up a plan – Agenda 2006 – that defines sustainability in greater detail and also the activities that will allow us further to improve our performance. Compared with our peers, we want to create a better and more transparent sustainability profile in the coming period.

A sustainability report is an important instrument of openness. Fortis has published its first full Sustainability Report on the Internet in April 2005. Additionally, prior to the shareholders' meetings in May, it has published a brochure highlighting the main points of our sustainability activities.

Organisation of sustainability management

The Executive Committee of Fortis has the highest level of responsibility for corporate sustainability. Herman Verwilt, Deputy CEO and COO of Fortis, is the principal contact person. He chairs the Corporate Sustainability Steering Group (CSSG) that was established in the year under review. The steering committee has a bridging and advisory role in embedding corporate sustainability within the organisation. The ultimate goal is obviously to make corporate sustainability an integral part of the relevant core processes at Fortis. Within the Executive Board of Fortis Bank Nederland, Fred Bos is responsible for Corporate Sustainability. He is also a member of the CSSG.

The activities of Fortis Bank Nederland relating to corporate sustainability are an integral part of Fortis-wide activities in the area of corporate sustainability. For further details, we refer to the Sustainability Report published by Fortis in April 2005.

Key Figures (x € 1 million)

	2004	2003	2002	2001	2000
Shareholders' equity	4,526	3,931	3,175	3,122	2,887
Group equity	5,124	4,731	3,989	3,778	3,543
Loans and advances	91,947	72,808	46,089	51,785	47,480
Interest-bearing securities	8,460	9,775	7,895	7,023	7,214
Entrusted funds	45,636	44,050	31,741	38,160	32,495
Debt securities	17,886	12,689	1,658	2,228	1,950
Total assets	157,772	123,581	76,125	80,002	72,255
Total income	2,555	2,357	2,001	2,340	2,450
Operating expenses	1,553	1,480	1,541	1,640	1,524
Efficiency ratio (%)					
(operating expenses / total income)	61	63	77	70	62
Net profit	626	562	306	321	618
Average number of employees (FTEs)	9,345	9,862	10,862	11,574	12,015
Net profit per employee (x € 1,000)	67	57	28	28	51
BIS ratio (%)	11.8	12.5	13.3	12.1	11.2
Tier-1 ratio	9.8	10.0	11.2	9.5	8.4
Group equity / total assets (%)	3.2	3.8	5.2	4.7	4.9
Return on average shareholder equity (%)	14.8	15.8	9.7	10.7	23.0

Board structure

Supervisory Board

B.J.H.S. Feilzer (Chairman)
K.A.M. De Boeck
J-P.L.L. Cardinael
P.J.A. Depovere
F.R.J. Dierckx
J.C. van Ek
P.J.J.R. Evrard
H.C.L. Verwilt

Executive Board

C.J. Beuving (Chairman)
J.C.M. van Rutte (Vice-Chairman)
H.P.F.E. Bos
R.H.L. ten Heggeler
F.J. van Lanschot

Secretary to the Executive Board

Mrs J.G. Bertels

Report of the Executive Board to the Shareholders

We are pleased to present the annual report for the year 2004, including the financial statements 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 and their audit opinion is given on page 94. We recommend that you adopt the financial statements, exercising your authority under Article 15 (5) of the Articles of Association, thereby granting discharge to the members of the Executive Board for their management activities during the previous year, and to the members of the Supervisory Board for their supervision.

Profit appropriation

We recommend that the General Meeting of Shareholders adds the remaining € 620 million profit to the reserves, after first deducting the dividend of € 6 million payable to the holders of preference shares under the terms of Article 19 (3) of the Articles of Association.

Capital

Issued and paid-up share capital of Fortis Bank Nederland did not change in 2004. Authorised share capital amounts to € 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 € 453.79.

Executive Board

The primary areas of responsibility of the Executive Board Members as at 31 December 2004 were as follows:

C.J. Beuving: Chairman, general co-ordination, audit, compliance, risk management, accounting and human resources.

J.C.M. van Rutte: Vice-Chairman, operations, ICT and facility management

H.P.F.E. Bos: Credits

R.H.L. ten Heggeler: Network Banking

F.J. van Lanschot: Merchant Banking

P.L. Vandekerckhove: Private Banking & Trust, Information Banking and Asset Management

Recent developments

At the end of January 2005, the Executive Committee of Fortis took the decision to review the organisation of its activities. This annual report for 2004 is based on the existing organisational structure of businesses and business lines, but includes a summary (see below) of the changes to the structure of Fortis Bank. These changes will also affect the way in which the activities of Fortis Bank Nederland are organised and managed.

From the end of January 2005, the bank's activities will be divided into Retail Banking, Commercial & Private Banking and Merchant Banking. All supporting and facilitating activities (such as IT, Human Resources, Operations) for the entire Fortis Group will be brought under the direction of the Chief Operating Officer (COO). The purpose of this change is to achieve greater synergy through closer co-operation within these activities between the countries on the one hand, and between the banking and insurance activities of Fortis on the other hand.

A number of appointments have been made as a result of the changes. Mr P.L. Vandekerckhove, member of the Executive Board of our bank since 2002, has been appointed CEO of Retail Banking in Belgium with effect from 1 February 2005. As a result of his appointment, the Supervisory Board has granted Mr Vandekerckhove an honourable discharge from the Executive Board with effect from 1 February 2005. We wish to express our gratitude to Mr Vandekerckhove for his valuable contribution to the development of the bank, particularly with regard to the international expansion of our Private Banking and Trust operations. Mr Vandekerckhove's executive-board duties will be carried out by other board members for the time being.

In February 2005, the bank sold its non-strategic interest (20%) in the First Ukrainian International Commerce Bank.

In the first quarter of 2005, Fortis Bank Nederland (Holding) N.V. acquired Generale Belgium Holding N.V., a wholly owned subsidiary of Fortis Bank S.A./N.V., through the issue of ordinary shares. As a result of the acquisition, the shareholders' equity of Fortis Bank Nederland (Holding) N.V. increased by € 595 million.

Appreciation

Our bank achieved excellent results in 2004. On the one hand this was due to our continued focus on high-standard service provision for our highly valued and rapidly increasing customer base. On the other hand, the net addition to provisions was significantly reduced as a result of prudent risk management and tentative economic recovery in the markets in which our bank operates.

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. We would like to take this opportunity to express our appreciation to our employees for their dedication and hard work.

Utrecht, 17 May 2005

Executive Board

C.J. Beuving, Chairman

J.C.M. van Rutte, Vice-Chairman

H.P.F.E. Bos

R.H.L. ten Heggeler

F.J. van Lanschot

Report of the Executive Board for 2004

Highlights in 2004

- Net result of € 626 million
- Acquisition of Trust activities from Banque Générale du Luxembourg
- Sale of GWK Bank

Principal results

Fortis Bank Nederland realised a net profit of € 626 million in 2004 (€ 562 million in 2003), an increase of 11% compared to 2003.

The table below contains a breakdown of net profit in 2004, 2003 and 2002.

x € 1 million	2004	2003	2002
Net interest income	1,471	1,351	1,150
Income from securities and participating interests	109	98	114
Net commissions	686	661	695
Other income	289	247	42
Total income	2,555	2,357	2,001
Operating expenses	1,553	1,480	1,541
Value adjustments to receivables and allocation to Fund for General Banking Risks	67	198	133
Total expenses	1,620	1,678	1,674
Operating result before taxes	935	679	327
Taxes	267	71	-26
Minority interests	42	46	47
Net profit	626	562	306

Net interest income increased by € 120 million (9%). The increase in net interest was mainly due to the growth in the loan portfolio.

Income from securities and participating interests rose by 11% compared to 2003. In 2003, income from securities and participating interests was generated mainly by the sale of Theodoor Gilissen Bankiers (€ 92 million). In 2004, however, income from securities and participating interests derived mainly from the revaluation of participating interests, dividends received and some smaller results from the sale of participating interests (e.g. the sale of GWK Bank to Travelex on 29 October 2004).

Value adjustments to receivables were € 131 million lower. Due to prudent risk management and the modest improvement in economic circumstances in the markets in which Fortis Bank Nederland operates, the net addition to the provision for value adjustments was significantly reduced.

Operating expenses increased by € 73 million (4.9%). This increase was primarily due to the acquisition of Trust activities from Banque Générale du Luxembourg and to a rise in staffing costs.

Taxes rose sharply due to a strong increase in gross profit and a decrease in tax-exempt income.

Balance sheet developments

The balance sheet increased by € 34 billion (+28%), resulting in total assets of € 158 billion.

The table below contains a breakdown of the balance sheet for the years 2004, 2003 and 2002.

x € 1 million	2004	2003	2002
Assets			
Banks	36,740	33,408	14,620
Loans and advances	91,947	72,808	46,089
Securities	19,921	12,612	11,034
Other assets	9,164	4,753	4,382
Total assets	157,772	123,581	76,125
Liabilities			
Banks	65,210	49,794	27,320
Funds entrusted	45,636	44,050	31,741
Other liabilities	40,080	23,274	11,526
Risk-bearing capital	6,846	6,463	5,538
Total liabilities	157,772	123,581	76,125

Receivables from banks rose by € 3.3 billion (10%), mainly due to an increase in security lending collateral and an increase in deposits and debts.

Loans and advances increased by € 19.1 billion. This increase of 26% is primarily the result of a strong growth in the mortgage loan portfolio and much higher securities lending collateral against cash.

Investments in securities increased by 58%. This rise is mainly the result of higher trading positions.

The increase in other assets was mainly due to increased positions in equity trading derivatives.

Borrowing from banks increased from € 49.8 billion to € 65.2 billion, an increase of 31%. This is mainly due to an increase in deposits and debts from Fortis Bank.

Funds entrusted increased by € 1.6 billion (4%). This is mainly the result of an increase in savings by private clients.

Other liabilities rose by € 16.8 billion (72%), mainly due to an increase in newly issued medium-term notes and an increase in short positions in shares.

The BIS ratio fell from 12.5% in 2003 to 11.8% in 2004. The decrease was due to an increase of € 4 billion in risk-weighted assets relating to loans and advances to clients, and an increase of € 1 billion in retail mortgages.

Structure of Fortis Bank

Within the Fortis Group, Fortis Bank operates worldwide through three client-oriented businesses: Network Banking, Merchant Banking and Investment Services. Each business comprises several business lines.

The co-ordination of the different 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 during 2004 are summarised below.

Network Banking

Network Banking consists of Retail Banking and Commercial Banking.

Retail Banking

The aim of Fortis Bank is to be the bank of preference for retail customers, the self-employed, members of the independent professions, and small businesses. Fortis Bank believes that a stronger relationship with customers offers clear benefits for both parties.

Strategy

In order to achieve its goals in the Benelux market, Fortis Bank will adopt a customer-oriented approach based on service and multi-channel accessibility as strong and distinctive features. It has also geared its commercial organisation towards clearly differentiated customer segments, in order to serve the market even more effectively and meet customers' specific needs and wishes. These two strategic elements should allow Fortis Bank to maintain or increase its market share and to raise its profitability per customer.

Key developments in 2004

Fortis Bank developed several initiatives in 2004 to enable it to deploy its expertise on a cross-border basis. An example is the successful introduction of the Belgian Internet banking experience in the Netherlands, thereby creating economics of scale by sharing systems, while allowing customers to benefit from best practice. The success of Internet banking at Fortis is apparent from the growing number of users. In the Netherlands, 140,000 customers were using the system after less than a year. Fortis also wants to meet the specific requirements of Benelux customers and markets when it comes to securities processing, to which end it is creating a cross-border organisation and infrastructure that will be in place by 2006.

Fortis Bank in the Netherlands has launched a new service concept: DirectService, a modern way of banking that is more customer-centred, flexible and profitable. Customers perform standard transactions themselves, if necessary with the assistance of a customer-service employee, leaving branch staff free to serve customers seeking advice on products and services. The new concept will be introduced at all branches during the course of 2005. Fortis Bank staff at branches and head office departments follow the 'Customer Focus Label' quality programme, which aims to improve overall service to customers. In 2004, closer collaboration with Fortis ASR on insurance sales via the branch network resulted in a 30% increase in commission compared to the previous year.

Prospects

Fortis Bank will continue to work on improving customer service in the coming years. Key strategies for boosting customer satisfaction and retention include the multi-channel approach and solutions tailored to customer profiles. Employee satisfaction, meanwhile, will benefit from training efforts and improvements in branch infrastructure. At the end of the day, satisfied customers and employees are the best long-term guarantee of success and growth potential.

The restructuring of the Fortis organisation in January 2005 has transformed Retail Banking into an autonomous business with growth ambitions.

Commercial Banking

The aim of Fortis Bank is to be the preferred supplier for medium-sized companies active in more than one European country. To that end, it offers financial solutions with added value via a unique and integrated European network.

Strategy

Fortis Bank intends to continue growing in the market segment for medium-sized, internationally active companies. These are primarily businesses that are interested in cross-border solutions consisting of multiple banking services such as leasing, factoring, international credit facilities, international cash management and the financing of acquisitions and trade transactions.

Fortis Bank provides these companies with access to a unique integrated network of approximately one hundred Business Centres located throughout Europe, enabling them to arrange all their financial services internationally via a single contact – the Global Relationship Manager – who brings together all Fortis's expertise and provides specialist, tailored 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.

Key developments in 2004

The 'Act as One' strategy launched three years ago has paid off handsomely. The number of customers continued to grow in 2004. Customer perceptions of Fortis Bank services are also very positive. Het Financieele Dagblad – the leading financial newspaper in the Netherlands – rated Fortis Bank the Netherlands' Best Commercial Bank of 2004 following a survey of 4,900 businesses. Fortis Bank achieved an above-average score for almost every aspect in the survey, and distinguished itself in terms of lending, accessibility and the way it deals with complaints.

In addition to the services offered via the Business Centres, customers can opt for online banking. Two important applications are 'Click 'n Deal' for currency and money market transactions, and 'Click 'n Trade' for managing documentary credits online. The second Internet application is being rolled-out on a modular basis. The Documentary Credit module enables importers and exporters to manage and track their credits online, saving them time and paperwork. A second module for documentary collection entered the market-testing phase at the beginning of 2005, and will be brought into operation in the different countries in due course.

A new cross-border electronic client magazine, Fortis Business Focus, was successfully introduced.

Fortis Commercial Finance further expanded its operational range and market share in 2004, working from bases in ten European countries and Hong Kong. As one of the few integrated European factoring companies, it offers unique solutions via this network to businesses operating in Europe. Fortis Commercial Finance rose from ninth place among European factoring companies to number seven. The ambition is to advance into the European top five, aided by the setting up of a 'factoring factory'. In addition to Fortis Commercial Finance's back-office operations, the venture will offer accounts-receivable management services to large enterprises and back-office services to other factoring companies.

Prospects

The integrated network of Business Centres, the single contact point, and expertise embracing many individual services are key reasons for companies operating at European level to do business with Fortis. Fortis Bank will accelerate the expansion of its network – particularly in European regions with strong growth potential – in order to further improve local accessibility for those businesses. Meanwhile, Fortis Bank has launched several projects to keep costs in check, including a new credit-

processing system that reduces the processing time for credit applications, an efficient operating model and IT platform at European level, and the streamlining of processes between the Business Centres and the back office.

In the context of the new strategy, Commercial Banking and Private Banking become natural partners united as a single business with an integrated approach for entrepreneurs and their companies. The objective is to pool competences in areas such as business consultancy, employee benefits, trust, succession planning and leasing. Fortis intends to use this unique service strategy to lead the way in Europe and remain dedicated to its customers.

Merchant Banking

Merchant Banking aims to offer optimum financial solutions to corporate and institutional clients in Europe. In devising these solutions, Merchant Banking draws on a comprehensive range of wholesale products and provides customers with the specific services they require. Merchant Banking complements its core business with expertise in niche activities with a regional or global scope.

Strategy

Merchant Banking offers investment and financing products as well as advisory services. It is active in several areas, including forex, money markets, fixed income, commodities and equity (including derivatives and structured products), corporate finance, capital markets, cash management, asset financing, project finance, private equity and structuring. Merchant Banking develops financial solutions with a high added value that are capable of meeting its customers' sophisticated financial needs.

Outside the Benelux region, Merchant Banking is active in several European countries and is expanding its operations in the U.S. and Asia. It is also developing its global capital-market operations and selected niche markets, such as shipping, export and project finance, and trade and commodity finance.

Merchant Banking delivers tailored solutions based on thorough knowledge of its key customers' needs and the ability to deliver a full, high-quality product range. Merchant Banking has segmented its entire client base and has implemented coverage models for each client category. First-class relationship management and improved account planning are key elements of this approach. By closely tracking its various merchant banking activities and customer portfolios, Fortis is able to focus more strongly on the desired customer relationships and growth activities.

Key developments in 2004

Merchant Banking made major strides in 2004 in terms of sharpening its customer focus and enhancing the added value of its broad product mix. Its pro-active approach in responding to customer needs is underpinned by effective segmentation of its corporate as well as institutional client bases, a solution-driven organisation, and intensive sharing of competences and sector and client knowledge. Merchant Banking has organised its commercial approach accordingly, by introducing senior relationship managers and multidisciplinary teams.

Merchant Banking continues to invest in a number of specific regional and global activities. A world leader in shipping finance, the bank managed several deals for its international client base. In 2004, Fortis arranged USD 4.8 billion in shipping finance facilities and expanded its M&A and capital markets business. Fortis Bank is also a leader in international commodity finance. The bank's solid position is underpinned by its knowledge of the agricultural, metal and energy sectors, geographic coverage of the market, and excellent reputation. Merchant Bank relies on its expertise in the intermodal sector to enter into major deals, such as guaranteed container finance for TAL International, one of the largest transactions ever in this sector. Other noteworthy deals were transacted in export and project finance, where Fortis Bank offers finance for the export of capital goods and services to emerging countries, for individual projects in emerging markets, and for private/public partnerships in a diversity of infrastructure and utility projects.

Fortis Private Equity developed favourably in 2004, partly on the back of the improved market climate. Fortis continued to streamline its private equity activities in several countries. The newly established Dutch team complemented the Fortis Private Equity Benelux group, and NeSBIC continued to manage its four existing funds.

The drive for greater efficiency is benefiting both Merchant Banking and its client base. The introduction of the client portal for Merchant Banking's online services has proved to be quite successful. The integration of Click 'n Deal, the online trading application in forex and money market products, went smoothly.

Merchant Banking is first and foremost a 'people business' run by professionals. The business therefore provides specialised training to its employees through its Merchant Banking Academy. Since the Academy was set up in February 2004, a large number of professionals have taken one or more of the ninety training courses. Merchant Banking also initiated a selective hiring programme targeting promising young talent in order to cope with the growing business segments.

Prospects

Fortis Bank is well positioned to benefit from the upturn in merchant banking activities, thanks to its strategic position as a multi-domestic player with specific market niches and its strong cross-border operational platform. The combination of products and services based on customer-centric solutions

gives Merchant Banking a key competitive edge. Merchant Banking will continue to develop its profile as a European merchant bank, with a strong position in the Benelux countries, and will pursue international growth based on strong customer and product bases.

Fortis has restructured its businesses in line with the corporate strategy to accelerate the growth of its core activities. Information Banking will be integrated into Merchant Banking, as its asset-financing services enrich the product offering of Merchant Banking.

Investment Services

Investment Services consists of Private Banking & Trust and Information Banking.

Private Banking & Trust

Fortis aims to position itself internationally as a leading provider of wealth management, trust and corporate services. The group offers worldwide integrated services and solutions for asset and liability management to private clients and their businesses, as well as to corporate clients and their advisers.

Strategy

Whereas private banking activities are mostly conducted under the name 'MeesPierson, the Private Bankers of Fortis', trust and corporate services are provided worldwide under the 'MeesPierson Intertrust' brand. Both activities are offered to clients – whether they are private or corporate clients – through an integrated service offering that is further enhanced by close collaboration with other Fortis businesses.

MeesPierson's growth strategy is to offer its services on a scale large enough to optimise its profitability and consolidate its market position in the long term. Initiatives in line with this strategy include:

- offering the integrated services delivery model to all customers
- consolidation/expansion of existing market positions by using the Fortis network as leverage and by working with highly specialised teams
- investment in the development of new competences
- expansion into new areas where MeesPierson can build on Fortis's existing presence or quickly establish a foothold, and
- reinforcement of human resources through training and recruitment.

Key developments in 2004

As part of its commitment to serve its clients with the highest level of professional expertise, in 2004 MeesPierson invested in the development of new areas of know-how and in the improvement of its service delivery systems. When dealing with high-net-worth or corporate clients and their advisers, MeesPierson always takes a long-term approach with a view to serving them throughout all economic

cycles and at the different stages of their personal lives. Its business thus extends well beyond traditional portfolio management and is built on excellence in a unique range of competences: investment, structuring and trust, international corporate management, financial engineering, real estate, financing, insurance and a number of specialised services ranging from intellectual property, philanthropy and corporate governance services to yacht management and redomiciliation services. MeesPierson's integrated services delivery model ensures that client receive the same high-quality services and attention, wherever they are in the world. Finally, investments in state-of-the-art instruments and systems provide clients with improved reporting and portfolio analysis.

The year under review was also one of major geographic expansion. In its more traditional markets, MeesPierson opened additional regional branches in the Netherlands. It acquired the accountancy, tax and business advisory services of Matthew Edwards & Co in London and on the Isle of Man, and it acquired the Swiss financial and fiduciary service provider Centrapriv. MeesPierson further strengthened its presence in Asia by acquiring PCS Limited, a provider of business services in Hong Kong. It has been exploring business opportunities in new growth markets in Eastern Europe (Moscow) and in the Middle East. New branches were opened in Istanbul (Turkey), in Jakarta (Indonesia) and in China (Shanghai and Guangzhou). MeesPierson now has a presence in twenty-three countries. As a result of expansion, and to meet the needs of MeesPierson's sophisticated service offering, special efforts were made in 2004 to hire new talent through an international recruitment campaign and to offer professionals extensive training programmes.

In addition to its increased distribution capacity, MeesPierson has been investing in order to expand its product range. This primarily concerns high-quality products in competences such as real estate, investments, structuring, lending and trust services. Examples of some of the more innovative MeesPierson products are the Dynamic Real Estate Fund, the Market Diversified Fund, the Informal Opportunity Fund, the BOAZ Private Equity Fund and a fund of hedge funds. MeesPierson created its Real Estate Investment Fund to meet the strong interest in property shown by high-net-worth individuals. The fund is the first pan-European fund to enable investors to buy into real estate in the 25 countries of the European Union, irrespective of their own country of residence. MeesPierson has also allied itself with Nyenrode University in the Netherlands, providing a powerful stimulus to research and development with regard to property investment – chiefly by private individuals. MeesPierson also has extensive experience in the development and administration of programmes for national and international not-for-profit institutions and social organisations. It launched its philanthropy services in Asia, and is the first private bank in that region to offer these services.

MeesPierson believes that asset-management services should be founded on ethics, values and responsibility. It offers clients the option of investing in companies that do business in a socially responsible manner and in ethically sound investment funds. Of the assets managed by MeesPierson, € 153 million was invested in sustainable companies in 2004, compared with € 97 million in 2003. MeesPierson's expertise and know-how received recognition in a Euromoney 2004 survey, which

ranked MeesPierson as one of the top three banks in Western Europe on three counts (philanthropy services, inherited wealth services and succession planning, and trust services).

Prospects

In early 2005, Fortis restructured its businesses in line with the corporate strategy to accelerate the growth of its core activities. Private Banking is joining forces with Commercial Banking, given that these are natural partners, offering services to entrepreneurs, their companies and their advisers. Private Banking will continue to focus on its own market and develop further expansion opportunities. It intends to continue to expand operations in its core markets and in Eastern Europe, Asia and the Middle East. It will also continue to diversify its activities with the aim, over time, of achieving a balanced spread of income. In order to bolster its position and increase Fortis's visibility in the international market, the company will invest in the Fortis brand, which will replace the MeesPierson brand in the course of 2006.

Corporate governance is becoming an important aspect of every entrepreneur's business operations. MeesPierson has joined forces with Fortis Venturing to develop new services in this field for the Dutch and Belgian markets. These services will help entrepreneurs to organise their businesses effectively and in keeping with the rules of good corporate governance. In addition to directors and major shareholders who are already MeesPierson clients, the target groups for these services include listed and non-listed medium-sized and large enterprises.

Information Banking

The ambition of Information Banking is to occupy a leading position in asset-financing services, both within and outside Europe. It offers highly valuable financial products that support its customers' trading and investment activities. Information Banking seeks to reinforce its already strong international position, focusing on the development of new services in mature financial markets and on existing services in growth markets.

Strategy

Information Banking pursues the principles of asset gathering and asset utilisation to offer integrated services to three groups of customers: institutional investors and banks, managers of traditional and alternative funds, and professional traders. It works mainly with a combination of transaction processing, financial logistics, risk management, portfolio financing and asset optimisation. It does so by offering services in the areas of custody, cash and derivatives clearing, securities financing, securities lending and arbitrage, and administration for offshore investment funds.

Key developments in 2004

Information Banking further bolstered its market position in the areas of specialist fund administration and custody, and took initiatives to improve the market position for international clearing services. It continued successfully to expand its strong international position in securities

lending. Information Banking expanded its sales and account management teams worldwide to cope with its increased commercial opportunities.

A new legal structure, in which all Fortis Bank international clearing activities are provided by a single legal entity, offers numerous benefits for professional traders, including integrated reporting, transparent supervision and more efficient capital allocation. In Europe, integration of these services has begun in Amsterdam, Frankfurt and London. Fortis is active as a General Clearing Member on Euronext Amsterdam and Brussels, and on the Paris derivatives market. Information Banking offers its customers a wide range of clearing and custody services. Access to the German markets further contributes to the service offering. Powerful software solutions help Information Banking to provide its customers with extensive online reporting on their trading operations. Finally, Information Banking is looking into opportunities to expand its clearing operations into Spain, the United States and Asia.

Information Banking has combined its clearing and custody activities, enabling it to respond more flexibly to the increasing demand for an integrated product range. The new structure increases Information Banking's opportunities to pursue a key aim – investing in the organisation's capacity for innovation – by freeing up additional funds.

Information Banking offers global custody services and related services such as follow-up, reporting and performance measurement in the area of compliance for institutional investors. It also acts as sub-custodian for international banks, including several custodians in the United States. Information Banking has formed an alliance with Ordina, which means that it can now offer customers a total concept combining worldwide clearing and custody services with securities and back-office administration. The concept will be extended to services such as treasury, order routing and securities lending. Financial institutions and asset managers can achieve substantial cost savings in this way and are free to concentrate on their core operations.

Information Banking is highly respected as a centre of expertise in the field of specialist fund administration. It further expanded its integrated package of investment services in 2004, making use of the latest reporting technologies. Information Banking also has worldwide experience with flexible financing solutions for fund managers (including hedge funds). Acquiring a bank status in Dublin has enriched its service offering compared with traditional administrative services. Its international branch network was also extended with the opening of an office in Milan.

The securities lending and arbitrage activities were highly successful, partly due to favourable results in Europe. The international branch network was extended with an office in Denmark, providing access to the Scandinavian markets. Local arbitrage opportunities are used for proprietary trading, thereby increasing Information Banking's opportunities to act as principal trader.

Prospects

Fortis has restructured its businesses in line with the corporate strategy in order to accelerate the growth of its core activities. Information Banking offers asset-financing services that meet the needs of Merchant Banking's target group. These services will therefore be integrated into Merchant Banking during 2005. Information Banking will continue to develop its growth potential in three areas: new products and services, new markets, and expanding and deepening relationships with existing and potential customers.

Risk Management

General

The activities of Fortis Bank Nederland are exposed to various types of risk. It is important that these risks are measured and monitored accurately. The main risks are market, credit, interest rate, liquidity, operational, reputational, tax and legal. The specific organisational structure for risk management within Fortis has two objectives: the application of consistent methodology throughout the organisation, and a prudent risk policy.

Organisation

Fortis has a centralised organisational structure for risk management. The Board of Directors monitors group solvency and determines the general risk/return requirement. At the level of the Executive Committee, a subcommittee chaired by the CEO and CFO is responsible for setting the strategic guidelines and producing consolidated reports on risk management at group level. The subcommittee also allocates economic capital to the various Fortis entities, and monitors the early-warning system for the solvency position. The banking and insurance activities each have their own responsibilities with regard to the monitoring of risk-management activities.

Within the banking operation, these responsibilities rest with the Board of Directors and the Management Committee. This Committee is assisted by a number of specific committees, such as the Asset and Liability Committee, the Policy Committee for Operational and Market Risk, the Credit Policy Committee, and the Central Credit Committee.

Fortis Bank is a cross-border organisation with business lines covering a specific area of activities worldwide. Decision-making processes relating to risk and the monitoring/reporting of risks are organised within these business lines at a central level, independent of commercial activities. Risks concerning Fortis Bank Nederland are also approved and monitored by its Executive Board, in addition to the decisions taken by the business-line management teams. Members of the Executive Board of Fortis Bank Nederland are also represented on the various risk committees of Fortis Bank and Fortis Bank Nederland.

Interest risk

The Asset and Liability Committee (ALCO) of Fortis Bank Nederland fixes standards and limits for interest-rate risk relating to the balance sheet in terms of maximum allowed sensitivity, Value-at-Risk

and Earnings-at-Risk. The Asset & Liability Management team (ALM), which is also part of the Fortis Central Risk Management department, advises on the interest risk to which Fortis Bank Nederland is exposed as a result of unequal asset and liability maturities. Furthermore, the ALM sets guidelines for managing liquidity and solvency risks.

Market risk

Market risk is the risk of losses due to fluctuations in the financial markets, i.e. in share prices, interest rates, exchange rates, commodity prices and derivatives relating to these products. Such fluctuations also create risks that impact on the structural positions of banking activities (non-trading risk) and on trading positions (trading risk).

Non-trading market risk: structural position

Fortis Bank Nederland is also exposed to interest-rate and share-price risk through its non-trading portfolio. The primary market risk relates to potential movements in interest rates. In order to monitor and control this risk, Fortis Bank Nederland uses risk indicators based on value calculations, and other indicators based on earnings calculations. The first group of indicators includes basis-point sensitivity and the duration of shareholders' equity. Basis point sensitivity is used to calculate how the market value of all assets and liabilities will change if each point on the interest swap curve is raised or lowered by one basis point. The Value-at-Risk (VaR) model is used to calculate the structural position of the bank and potential changes in market value resulting from changes in the interest rate, based on the historical volatility of interest rates, a holding period of two months and a confidence interval of 99%. The duration of shareholders' equity serves as a general measure of interest-rate risk. The duration and fair value of all products are calculated from discounted cash flows (redemption and interest).

The risk indicator based on earnings calculation simulates the impact of interest-rate movements on future earnings. A central interest-rate scenario and eleven other standard interest-rate scenarios are used to calculate the interest result for each scenario over the coming three years. The sensitivity of earnings to shifts in interest rates relates to the differences between the best and worst interest results calculated in this way and compared to the interest-rate result for the central scenario.

Market risk arising from trading activities

As mentioned above, risk is monitored within the cross-border business lines and reported to the management of Fortis Bank Nederland, among others. The main market risks in the trading portfolio to which Fortis Bank Nederland is exposed are interest rate, foreign exchange, equity and the price risk on derivatives. Qualitative controls are used to monitor these risks, combined with the intensive use of quantitative models based on sensitivity and probability analysis. The daily Value at Risk (VaR) is reported on the basis of the historical simulation model. The VaR method is also used for back tests and stress tests.

Derivatives portfolio risk

Fortis Bank Nederland participates in various forms of derivative transactions as part of its normal commercial operations. These are conducted primarily in the interest, currency and equity markets. The purpose of these transactions is to hedge the risk within the balance sheet arising from Fortis Bank Nederland operations, including lending, product development and securities investments. Fortis Bank Nederland also conducts derivative transactions as part of its trading activities and as a service to customers. The counterparties to derivative transactions are generally banks or other financial institutions. Positions taken on the bank's own account and risk are monitored daily through VaR calculations based on historical simulation, with a confidence interval of 99% and a holding period of 1 and 10 days. Special sensitivity analysis and stress tests are also performed.

Day-to-day risk monitoring – including monitoring of the parameters used – is carried out by the business-line risk managers and by the independent Central Risk Management department.

Credit risk

The cross-border business lines are responsible for their credit risks, including the monitoring processes. A specialised cross-border Credit Department assesses individual credit risk. Decisions are taken by credit committees, which also have a cross-border structure and include representatives of Fortis Bank Nederland.

Credit risk is the risk that arises when a borrower or counterparty is no longer able to repay their debt. This may be the result of inability to pay (insolvency) or of government restrictions on capital transfer. There are three main sources of credit risk relating to banking activities: counterparty risk, transfer risk and settlement risk. Fortis Bank Nederland applies strict checks within a fully independent credit-approval process. The basic aim of credit policy is to spread the risk across several sectors, countries and markets.

Credit portfolio rating

Fortis Bank Nederland uses an internal rating system for credit-risk management. The system is applied to the total credit portfolio, based on statistical analyses and the expected default frequency. This enables individual credits to be assessed on the basis of risk. It also generates the information required to calculate economic capital and risk-adjusted returns.

Since 2000, Fortis Bank Nederland has actively pursued a policy designed to improve the risk/return profile of its credit activities. It is also working to reduce the outstanding credit risk by securitising and/or using credit derivatives.

Fortis Bank Nederland uses a variety of instruments to monitor the credit risk to which its credit portfolio is exposed:

- Credit decisions must be approved at various levels within Fortis Bank Nederland, depending on the amount and type of credit involved. Independent departments are concerned with risk assessment at each decision-making level. Specialist departments are involved in the event of specialist finance activities such as project finance and structured finance. There is also an early-warning system for all loans.
- Credit risk arising from derivatives activities, capital market operations and transactions with financial institutions are monitored via an on-line Risk Exposure Management system. The credit risk arising from transactions of this kind must remain within specified limits, and daily checks are performed to ensure that this is the case. Fortis Bank Nederland uses a market valuation method (marked-to-market) to determine the credit risk associated with derivatives positions. Management strives to minimise credit risk by entering into netting agreements and by requiring collateral to cover obligations.

Country risk

Fortis Bank Nederland uses centralised processes to manage country risk from a commercial and geographical perspective. Commercial exposure to a particular country arises from all the transactions that Fortis Bank Nederland has performed in the relevant country with a local counterparty of which the parent company is also a local entity, or a foreign entity with a local entity as its parent company. Geographical exposure to a particular country relates to all the transactions performed in that country with a local counterparty, irrespective of whether the parent company is a local or a foreign entity.

Liquidity risk

Liquidity risk relates to the possibility that creditors of Fortis Bank Nederland will demand immediate reimbursement of liquidities, thus obliging Fortis Bank Nederland to borrow additional funds or sell assets.

Fortis Bank Nederland manages its liquidity risk in a way that enables it to meet customer demand, redemption commitments and capital requirements, even under adverse market conditions. Liquidity risk is monitored by the ALCO, and the standards set by the regulator are complied with at all times.

Operational risk

Operational risk can be divided into two categories. The first category comprises the risk of losses due to non-recurring events such as system error, fraud, crime, legal proceedings or damage to buildings or equipment. The second category comprises business risk, and in particular losses due to changes in the structural and/or competitive environment.

In 2002, Fortis implemented initiatives to improve the monitoring and control of operational risk through more effective assessment and measurement. Fortis developed a specific instrument for this purpose, and it is now applied to all global operations. Information is now gathered immediately and

in accordance with internal and external requirements, as stipulated in the latest advisory document of the Basel Committee. In the context of Basel II, Fortis Bank Nederland chose to adopt the Advanced Measurement Approach for operational risk. In addition, Fortis is a co-founder of the Operational Risk Data Exchange Association (ORX), the joint initiative of a number of major international banks that provides a platform for exchanging data to facilitate more accurate analysis and modelling of operational risk.

Legal and tax risk

Legal risk includes the potentially adverse impact of legislative changes and the possibility that it will no longer be possible to enforce existing contractual agreements.

Fortis Bank Nederland monitors this risk by ensuring that transactions are correctly approved, and by submitting new or unusual transactions for assessment by internal and external legal advisors.

Reputational Risk

Reputational risk exists in many forms in all the bank's activities. Examples are the quality and transparency of products sold to clients. The conduct of bank employees can also result in a reputational risk. Strict compliance procedures are in place to minimise this risk, as well as decision-making procedures for new activities and products. In the year under review, the Compliance department developed a whistle-blowing procedure, which will be rolled-out during 2005. The procedure is designed to ensure that any Fortis employee can report certain activities that he considers to be wrongful, as defined in the procedure, without fear of reprisal. It was decided in early 2005, as part of the overall strengthening of governance, to implement a reporting hierarchy whereby local compliance officers report to the Fortis Compliance Officer rather than to the business CEOs.

Basel II

The Basel Committee is working with the international financial industry and national regulators to develop a replacement for the 1988 Basel Capital Accord. The new accord is known as Basel II. It will achieve a better match between actual credit risk and the capital buffer that banks must set aside when granting credit. Basel II also requires banks to have a capital buffer for operational risk. In the context of Basel II, Fortis has opted for the 'Advanced Measurement Approach' for assessing operational risk. Although the new Basel Accord on minimum capital requirements is not expected to come into force before 2006, Fortis Bank set up a steering group as early as March 2001. Since the end of 2001, four cross-border working groups and 90 staff have been working on credits, operational risk, accounting and IT. With regard to credit risk, the Bank has opted for the internal rating method, in which it assesses the risk of failure on the part of the counterparty on the basis of its own historical data. The plans laid down in 2002 will be developed and implemented in the period 2004-2005. Fortis, along with most international financial institutions, participated in a study aimed at evaluating the quantitative impact of the current proposals. Once the standards and regulations have been defined and translated into European and national guidelines, further analysis should demonstrate the impact on Fortis of the new regulations for capital requirements.

International Financial Reporting Standards

The consolidated annual accounts of companies publicly traded in the European Union must meet the new standards for financial reporting for the financial years commencing on or after 1 January 2005. Fortis launched a large-scale project in 2001 that has enabled the company to meet these requirements on time. The figures for the first quarter of 2005 will be based on IFRS, with the figures for 2004 adjusted to facilitate comparison, including the application of IAS 32/39 – Financial Instruments. The overall Fortis project also includes Fortis Bank Nederland. Fortis Bank Nederland will also publish her consolidated annual accounts as of 2005 based on IFRS.

Prospects

Fortis Bank Nederland performed quite well during the year 2004. Thanks to tight cost-control, a strong dedication to meeting customer needs, increasing employee-satisfaction, and conservative risk management, we were able to benefit from the opportunities in the market segments in which we are active. Barring unforeseen circumstances we expect a further prosperous development in our activities. In the light of the impact of the new IFRS guidelines, it is still too early to forecast the development of net operating profit for the coming year. Given the results for the first quarter of 2005, we are quite comfortable with results in 2005.

Utrecht, 17 May 2005

Executive Board

C.J. Beuving, Chairman

J.C.M. van Rutte, Vice-Chairman

H.P.F.E. Bos

R.H.L. ten Heggeler

F.J. van Lanschot

Financial statements for the year 2004

Accounting principles	31
Consolidated balance sheet as at December 2004	42
Consolidated profit and loss account for the year 2004	44
Consolidated cash flow statement for the year 2004	46
Notes to the consolidated balance sheet as at December 2004	48
Notes to the consolidated profit and loss account for the year 2004	75
Company balance sheet as at December 2004	80
Company profit and loss account for the year 2004	82
Notes to the company accounts as at December 2004	83
Branches, major subsidiaries and associated companies	92
Other Information	94

Accounting Principles

General

The financial statements have been prepared in accordance with the legal requirements for financial statements applying to banks, as laid down in Title 9, Book 2 of the Netherlands Civil Code, and taking into account the recommendations made by the Dutch Central Bank (De Nederlandsche Bank N.V.).

The company's profit and loss account has been prepared in accordance with Section 2:402 of the Netherlands Civil Code. The details of relevant participating interests, as stipulated in Articles 2:379 and 414 of the Netherlands Civil Code, have been filed with the Trade Register. Major subsidiaries and associated companies are listed on pages 92 and 93.

The financial details of Fortis Bank Nederland (Holding) N.V. are consolidated in the Fortis Bank annual report and ultimately in the Fortis annual report. Companies that are part of Fortis are deemed by Fortis Bank Nederland (Holding) N.V. (hereafter referred to as Fortis Bank Nederland) to be affiliated companies.

Acquisitions and disposals

With effect from 1 January 2004, MeesPierson Intertrust has taken over the accountancy, tax and business advisory services of Matthew Edwards & Co on the Isle of Man and in London.

In October, MeesPierson Intertrust Group Holding SA acquired the Private Banking and Trust activities of Banque Générale du Luxembourg. The transfer concerned the legal entities MeesPierson Channel Island Ltd, BGL Reads Group Ltd, MeesPierson Intertrust Luxembourg SA and MeesPierson Trust Liechtenstein. As the transfer was partly settled by means of shares in MeesPierson Intertrust Group Holding, Banque Générale du Luxembourg now owns 25% of the shares in this holding company for the trust activities of Fortis Bank Nederland.

In September, MeesPierson acquired PCS Limited, a provider of business services, trade services, trust and company secretarial services in Hong Kong.

On 29 October 2004, Fortis Bank Nederland sold GWK bank to Travelex.

In December, MeesPierson Intertrust acquired Centrapriv. Centrapriv is a Swiss provider of a full range of tax, legal and fiduciary services primarily to high-net-worth individuals.

Preference shares with a financing character

In June 1999, Fortis Bank Nederland (Holding) N.V. issued preference shares to the value of € 650 million through Fortis Capital Company Limited, a Jersey subsidiary established for this purpose. The issue took place in two tranches, one of € 450 million and one of € 200 million. The second tranche of € 200 million was repaid in June 2004. The regulator regards these preference shares as part of Fortis Bank Nederland's Tier-1 capital.

The remaining preference shares of the first tranche have a nominal value of € 450 million with a fixed coupon of 6.25% for the first ten years and a variable coupon linked to Euribor plus 2.60% in subsequent years. Fortis Capital Company Limited has the option of repaying this instrument in year 10 and once a year in subsequent years.

The preferred security benefits from a Support Agreement, pursuant to which Fortis N.V., Fortis Bank N.V., Fortis Bank Nederland (Holding) N.V. and Fortis SA/NV (the 'Supporting Companies') jointly and severally agree to contribute to Fortis Capital Company Limited any additional funds that are necessary to allow it to pay dividends on the preferred securities in the event that any of the Supporting Companies pays a dividend on its ordinary or preferred shares in the same financial year.

Under the terms of this arrangement, the payment of even a symbolic dividend by any of the Supporting Companies on its own capital stock would automatically trigger a full or proportional dividend entitlement for investors in the hybrid securities, with full recourse against the Supporting Companies. In theory, this could result in capital substance being taken out of Fortis SA/NV or the other Supporting Companies for payment to investors in the hybrid securities at times when their stakeholders might wish to look to their capital for protection. Even if the Supporting Companies have sufficient aggregate distributable reserves to pay a dividend on their own capital stock, payment could, therefore, theoretically result in an obligation to make payments under the Support Agreement for which the distributable reserves would not be adequate.

As a condition of its acceptance of the hybrid securities as constituting Tier-1 capital of Fortis Bank N.V., the Belgian banking regulator has requested that appropriate measures be put in place to ensure that any payments to be made by Fortis SA/NV or Fortis Bank N.V. 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.

In order to meet this request, the Board has decided that Fortis SA/NV will not declare a dividend on its ordinary shares, nor on its preference shares or other capital instruments (where 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 in respect of the hybrid securities.

Sale of mortgage loan portfolio

On 31 December 1995, the wholly-owned subsidiary Fortis Bank (Nederland) N.V. (formerly MeesPierson N.V.) transferred beneficial ownership of the residential mortgage loans in its possession to ABN AMRO Bank N.V. At the same time, a major part of the beneficial ownership of the funding associated with these loans was transferred to ABN AMRO Bank N.V. The gross amount involved in the transfer of beneficial ownership of the mortgages and their relevant funding was originally € 2.6 billion. Legal ownership of the mortgages and a significant part of their relevant funding have been transferred to ABN AMRO Bank N.V. or its subsidiaries since the transaction date. The remaining associated funding, of which legal ownership has not been transferred to ABN AMRO Bank N.V. or its subsidiaries, is not included in the company's consolidated balance sheet. Subject to normal repayment conditions, the current outstanding amount is € 0.4 billion.

Centralisation of money-market activities

In 2003, Fortis Bank decided to centralise the operational processing of its money-market activities under Fortis Bank. Since December 2003, all money-market transactions have been booked to Fortis Bank, since Fortis Bank is the legal counterparty in transactions with the market. Fortis Bank Nederland bears the interest risk of money-market transactions conducted by Fortis Bank Nederland in the name of Fortis Bank. Fortis Bank funds Fortis Bank Nederland's activities relating to transactions of up to one year through current account. Fortis Bank charges the funding mismatch (the difference between the current account and the market transaction, including a fee for cost of capital, credit risk and back-office costs) to Fortis Bank Nederland, which reports the funding mismatch under Interest.

Principles of consolidation

The consolidated financial statements include the financial information on Fortis Bank Nederland (Holding) N.V. and its group companies.

In the year of acquisition or sale of a group company, the financial information on that company is included in the consolidated financial statements from the date on which control is obtained by Fortis Bank Nederland. Upon acquisition of companies to be consolidated in the annual accounts, the assets and liabilities of the acquired company are restated at fair value. The difference between the purchase price and the fair value of the acquired company is regarded as goodwill and is charged or credited in full to shareholders' equity. Goodwill arising from the acquisition of participating interests and accounted for using the equity method is also charged or credited to shareholders' equity.

As part of its organisational restructuring, Fortis Bank Nederland has acquired and disposed of interests in consolidated group companies. Internal group transfers of this type are conducted at arm's length. When a group company is acquired, the difference between the arm's length price (fair value) and book value is directly offset against equity. When a group company is disposed of, the difference is reported in the profit and loss account under 'Income from securities and participating interests'.

Interests in joint ventures that are financial institutions are proportionally consolidated, provided such consolidation meets the statutory requirement of a true and fair view.

Third-party minority interests in shareholders' equity, and the profit or loss recorded by consolidated companies, are disclosed separately in the balance sheet and the profit and loss account.

Securitisation

Fortis Bank Nederland is engaged in various securitisation transactions. The securitisations are mainly conducted with retail mortgage loans. The special-purpose entities used for the securitisation transactions are consolidated in the financial figures of Fortis Bank Nederland. We refer to page 92 for the list of major subsidiaries that are included in the consolidated financial figures of Fortis Bank Nederland.

Principles of valuation and profit determination

General

All assets and liabilities are shown at face value, unless stated otherwise. Assets are stated net of the necessary value adjustments. The provisions for loans and other accounts receivable are specific. Loans to countries with liquidity or solvency problems are provided for on a country-by-country basis. The balance of these value adjustments is charged or credited, as appropriate, to the profit and loss account under 'Value adjustments to receivables'. Profits and losses on financial instruments that are used to hedge exposures are recognised in a manner that reflects the accounting treatment of the hedged assets or liabilities. The difference between the cost and redemption value of fixed-interest securities and funds raised is shown under 'Prepayments and accrued income' and 'Accruals and deferred income' respectively, and is incorporated into the result in proportion to the average remaining term.

Use of estimates

The preparation of the annual accounts necessitates the use of estimates and assumptions. These estimates and assumptions affect the reported amounts of the assets and liabilities and the amounts of the contingent liabilities at the balance-sheet date, as well as reported income and expenses for the year. The actual outcome may differ from these estimates.

Transactions with Fortis Group companies

Transactions between Fortis group companies are conducted at arm's length and are not eliminated from Fortis Bank Nederland's balance sheet and profit and loss account.

Transactions between Fortis Bank Nederland group companies are eliminated in the consolidated profit and loss account, as well as in the consolidated balance sheet. Only non-finance transactions conducted between group companies in the course of normal business and on commercial terms are not eliminated in the consolidated profit and loss account.

Foreign currency

Assets and liabilities in foreign currencies are translated at the spot rate as at the balance sheet date.

Exchange-rate differences resulting from the translation of assets and liabilities are accounted for in the profit and loss account under 'Result from financial transactions', except for exchange-rate differences resulting from the translation of net investments in foreign participating interests and branches, and related hedging transactions. These are credited to or debited from the reserve for exchange-rate differences, which is part of shareholders' equity.

Transactions and the resulting revenues and expenditures in foreign currencies are translated at the Euro rate for the transaction date. The revenues and expenditures of business entities outside the Euro Zone are translated and hedged monthly at the Euro closing rate.

Derivatives

Interest-rate contracts relating to trading activities are shown at market value. Results are shown under 'Result from financial transactions'. Other interest rate contracts are valued in accordance with the assets and liabilities to which they relate. The results are accounted for under 'Interest' on an accrual basis over the life of these contracts. Foreign exchange contracts relating to funds borrowed and lent are shown at their current value at the balance sheet date. Other foreign-exchange contracts are valued at the current rates for the remaining life of these contracts at the balance sheet date.

The changes in value ensuing from this valuation method are shown in the profit and loss account under 'Result from financial transactions'. Other contracts (e.g. share options) are shown at market value. Derivatives are accounted for in the balance sheet under 'Prepayments and accrued income' and under 'Accruals and deferred income'.

Short-dated government paper

Short-dated government paper is carried at redemption value.

Loans and advances

Accounts-receivable from credit institutions and accounts-receivable from clients are valued at face value minus the necessary provisions for loan losses. An allowance for loan losses is maintained to the amount that management considers adequate to cover the existing probable loan losses and country risks in the portfolio of loans. Each operating subsidiary makes allowances for loan losses on the basis of a common methodology of loan rating classifications and circumstances in its market area and among its customers. The allowances for loan losses cover cash drawings and off-balance-sheet positions.

Loans above pre-established thresholds are rated by loan officers, loan review personnel and management on a case-by-case basis, and are monitored through inclusion in internal watch lists and similar management reports. Loans below the pre-established thresholds are generally reviewed in the aggregate because they are of a relatively small principal amount and homogeneous in nature and risk (e.g. retail lending products).

The accrual of interest is reversed in the profit and loss account when, in the opinion of the management, the borrower may be unable to meet the payments as they become due. Loans are returned to accrual status if the borrower is able to meet payments when due, and the allowance established for the corresponding accrued interest is reversed.

Interest-bearing securities and shares

Trading portfolio

Securities and other related deposits, off-balance-sheet instruments and other financial instruments belonging to the trading portfolio, which are held for a short term with the objective of realising transaction results, are shown at fair value, which generally means (quoted) market value. If quoted market prices are not available, fair values are estimated based on quoted market prices of comparable instruments or discounted cash flow analysis using market rates.

Own repurchased non-subordinated interest-bearing securities, intended for resale, are shown at the lower of cost or fair value. The value differences ensuing from these valuation methods are shown in the profit and loss account under 'Results from financial transactions'.

Equity investments

Equity investments are temporarily held interests, particularly as part of investment banking activities. They are included under 'Shares' and are valued on a portfolio basis at fair value. If quoted market prices are not available, fair values are estimated based on quoted market prices of comparable instruments or discounted cash flow using market rates and ratios. Changes in their value are taken to a separate revaluation reserve. Insofar as this revaluation reserve is insufficient to absorb negative movements in value, any such differences are charged to the profit and loss account under 'Value adjustments to financial fixed assets'. Profits and losses resulting from sales and permanent diminution in value are accounted for under 'Result from financial transactions'. Dividend is accounted for as 'Income from securities and participating interests' in the profit and loss account.

Investment portfolio

The investment portfolio contains securities that are systematically qualified as financial fixed assets. Bonds, other interest-bearing securities and private loans are carried at redemption value. The difference between redemption value and cost is accounted for in the profit and loss account under 'Interest income' in proportion to the remaining term of the securities. However, bonds and other interest-bearing securities on which all or most of the interest payment is received at redemption, are carried at cost. This valuation is increased annually by the interest calculated on the basis of the interest rate prevailing at the time of acquisition.

Shares included in this portfolio are valued on a portfolio basis at fair value, and changes in their value are taken to a separate revaluation reserve. Any reduction in value that cannot be absorbed by the revaluation reserve is charged to 'Value adjustments to financial fixed assets'. Dividend received, realised gains and permanent diminutions in value are accounted for in the profit and loss account as 'Income from securities and participating interests'.

Any profits or losses arising from the sale of interest-bearing securities and private loans from the investment portfolio in the case of replacement transactions are reported as 'Interest income' over the remaining term of the security that has been sold. If the total unamortised sale proceeds from replacements are negative, the net loss is taken directly to 'Interest income'. In other cases, the profits and losses are taken directly to 'Results from financial transactions'.

Transfers of interest-bearing securities between portfolios are effectuated at market value. The results from transfers are shown in the same manner as the results from sales.

Securities purchased under resale agreements, securities sold under repurchase agreements, securities borrowed and securities lent

Securities purchased under resale agreements are not shown separately in the consolidated balance sheet, but the cash paid is included under 'Banks' and/or 'Loans and Advances'. Securities sold under repurchase agreements are retained in the consolidated balance sheet, but the funds received are included under 'Amounts owed to Banks' and/or 'Entrusted funds'. Securities purchased under resale agreements and securities sold under repurchase agreements generally qualify as financing transactions, and are carried at the amounts at which the securities will be subsequently resold or reacquired as specified in the respective agreements. The policy of Fortis Bank Nederland is to take possession of securities purchased under resale agreements or to relinquish possession of securities under repurchase agreements.

Fortis Bank Nederland monitors the fair value of the underlying securities as compared with the related loan, including accrued interest, and requests additional collateral if necessary.

Securities lent are retained in the consolidated balance sheet. Securities borrowed are not recognised in the consolidated balance sheet. Where there is cash collateral relating to securities lending, this is included in the consolidated balance sheet. Fortis Bank Nederland measures the fair value of the securities borrowed and lent against the collateral in cash and/or securities on a daily basis. Additional collateral is obtained and paid as necessary in order to ensure that such transactions are adequately collateralised.

Participating interests in group companies and Other participating interests

Participating interests in group companies, and other participating interests in which Fortis Bank Nederland has a significant influence on operational and financial policy, are accounted for using the equity method and are stated at the proportional share of the equity of the company concerned, determined on the basis of the accounting principles applied by Fortis Bank Nederland. Fortis Bank Nederland's share in the profits of these participating interests is accounted for in the profit and loss account under 'Income from Securities and Participating Interests'. Changes with respect to revaluations are recognised as a direct adjustment to shareholders' equity. Upon the sale of these participating interests, the difference between book value and sales proceeds, taking account of adjustments previously recognised in net equity, is recognised as a result under 'Income from securities and participating interests'. Goodwill arising from the acquisition of participating interests in group companies and other participating interests, in which Fortis Bank Nederland has a significant influence on operational and financial policy, is charged to 'Shareholders' equity'.

Participating interests in which Fortis Bank Nederland has no material influence on commercial and financial policy are shown at fair value. The fair value is based on year-end quoted market prices, if these are available. If quoted market prices are not available, fair values are based on annual accounts and other comparable information on the participating interest. The differences in value resulting from

this valuation are directed to a separate revaluation reserve. Insofar as this revaluation reserve is insufficient to absorb negative movements in value, any such differences are charged to the profit and loss account under 'Value adjustments to financial fixed assets'. Results realised from sales, dividend received and permanent diminutions in value are accounted for as 'Income from securities and participating interests' in the profit and loss account.

Intangible assets

Intangible assets include the cost of equity issues. These costs are amortised in the profit and loss account over a maximum period of five years. A legal reserve has been established for this item.

Property and equipment

Land and buildings in use by group companies

Land and buildings in use by group companies are shown at fair value, which is derived from the estimated replacement value on the basis of periodic appraisals by independent experts. In principle, land and buildings are revalued every five years. Movements in the fair value are incorporated in a separate revaluation reserve, taking account of deferred tax liabilities. Buildings in use by group companies are depreciated using the straight-line method on the basis of an estimated useful life with a maximum of 34 years, taking account of the estimated residual value. Realized gains, i.e. the difference between the sale proceeds and cost, are reported in the profit and loss account under 'Depreciation'.

Buildings under construction to be used by group companies are valued at the lower of cost incurred or expected fair value. Depreciation commences as soon as the building is brought into use.

Land and buildings not in use by group companies

Buildings intended for lease as a permanent investment are shown at fair value at the best possible price for which they can be sold, minus any costs to be incurred. Movements in this value are taken to the Revaluation reserve, taking account of deferred tax liabilities. Buildings intended for lease as a permanent investment are not depreciated.

Buildings under construction that are intended for lease as a permanent investment are valued at the lower of cost incurred or realisable value.

Property obtained from foreclosure or settlement of claims is valued at the estimated realisable value.

Other tangible fixed assets

Valuation is based on cost minus straight-line depreciation based on estimated useful life. Realized gains – the difference between the sale proceeds and cost minus depreciation – are reported in the profit and loss account under 'Depreciation'.

Debt securities

Debt securities are reported at their face value.

Provisions

Provision for pension commitments

The recognition and valuation of the provision for pension commitments is based on Financial Accounting Statement 87 of the US Generally Accepted Accounting Standards. This is in accordance with accounting guideline 271 of the Dutch Council for Annual Reporting (Raad voor de Jaarverslaggeving).

Pension provisions relate to pension-scheme commitments based on agreed undertakings.

On 1 January 2001, the pensions of Fortis Bank Nederland were revised to a defined-benefit plan, including a pre-pension scheme and a defined-contribution plan for the excess portion of the salary. The level of pension provisions is calculated using the projected unit credit method, whereby the present value of pension commitments is calculated according to the active period of service up to the balance sheet date, the expected salary at the likely retirement date, the expected yield of the plan assets, and the actual yield of the investments. Pension costs are charged to the profit and loss account such that pension charges are spread over the expected service life of employees.

Other personnel provisions

This provision relates to post-retirement, early retirement and disability benefits. Post-retirement benefits relate to the expected cost of health insurance and bank services for retired personnel. The provision for early retirement relates to commitments for early retirees and estimated commitments for employees' accrued rights to early retirement. The provision is valued on an actuarial basis, taking account of participation and incumbency. The provision is stated at the present value of the commitments; the actuarial interest rate is 4.0% (2003: 4.0%).

Provision for deferred tax liabilities

This provision, which is stated at face value, is calculated on the basis of current applicable tax rates. The provision covers future tax liabilities resulting from timing differences between the value of assets and liabilities for accounting and tax purposes. Deferred tax assets are only taken into account if they are likely to be realised.

Other provisions

Other provisions include the provision for litigation to cover the anticipated cost of legal proceedings instituted against Fortis Bank Nederland.

Fund for General Banking Risks

The Fund for General Banking Risks covers the overall risk ensuing from day-to-day banking operations. The amount in the Fund and additions to it are based on expected present and future risk trends. Amounts released from the Fund should be unforeseen expenses incurred due to major fraud or nationalisation, or on account of major setbacks in the banking industry. The balance of additions to and withdrawals from the Fund is accounted for in the profit and loss account under 'Additions to the Fund for General Banking Risks'. Fortis Bank Nederland is of the opinion that the current level of the Fund for General Banking Risks is sufficient to cover the overall risk.

The Fund for General Banking Risks has the nature of group equity and is recognised net of deferred tax claims. In accordance with the rules of the Dutch Central Bank, the Fund for General Banking Risks is regarded as Tier-1 capital.

Revenues

Revenues are recognised in the period to which they relate. Interest receivable on account of lending is not recognised as income if there is serious doubt with regard to its collectibility.

Expenses

Expenses are allocated to the period in which they are incurred.

Taxation

Profit taxes for Fortis Bank Nederland are calculated at the current standard rate, taking account of tax facilities.

Stock and Options Plans

In 2004, employees were given the opportunity to acquire Fortis shares. The aim of the stock plan is to enable employees to express their confidence in the future of their company by investing in its shares. Each employee was given the opportunity to purchase Fortis shares at a discount of 20% on the closing price on 1 October 2004.

Options on Fortis shares have also been granted to senior management as a token of confidence in their personal contribution to the growth and development of Fortis. The strike price of these option rights is the closing price on 28 April 2004. The number of options to which each person could subscribe was determined individually according to the level or scale of the person's responsibilities. New Fortis shares will be issued or previously repurchased shares will be used on exercise of the option rights granted under this plan and as part of the stock plan. The option rights granted on Fortis shares have no financial impact on Fortis Bank Nederland.

Cash-flow statement

The cash-flow statement shows the net cash flow that has become available during the period under review, and the use to which it has been put. 'Net cash flow' refers to the change in cash holdings, balances repayable on demand by or at banks and similar balances at the Dutch Central Bank. The cash-flow statement has been prepared using the indirect method.

Consolidated balance sheet as at December 2004
before profit appropriation (x € 1 million)

Assets	2004	2003
Cash	1,133	1,202
Short-dated government paper	4	-
Banks	36,740	33,408
Loans and advances:		
• loans and advances to the public sector	909	485
• loans and advances to the private sector	73,041	66,426
• professional securities transactions	17,997	5,897
	91,947	72,808
Interest-bearing securities	8,460	9,775
Shares	11,461	2,837
Other participating interests	518	219
Intangible assets	-	1
Property and equipment	428	485
Other assets	8	11
Prepayments and accrued income	7,073	2,835
Total assets	157,772	123,581

Liabilities	2004	2003
Banks	65,210	49,794
Entrusted funds		
• savings accounts	11,893	12,233
• other Entrusted funds	33,743	31,817
	<hr/>	<hr/>
	45,636	44,050
Debt certificates	17,886	12,689
Other liabilities	16,354	7,789
Accruals and deferred income	5,600	2,570
Provisions	240	226
	<hr/>	<hr/>
	150,926	117,118
Fund for General Banking Risks	449	427
Subordinated liabilities	1,273	1,305
Shareholders' equity	4,526	3,931
Minority interests	598	800
	<hr/>	<hr/>
Group equity	5,124	4,731
Risk-bearing capital	<hr/>	<hr/>
	6,846	6,463
Total liabilities	<hr/>	<hr/>
	157,772	123,581
Contingent liabilities	3,227	3,333
Irrevocable facilities	13,270	9,465

Consolidated profit and loss account for the year 2004 (x € 1 million)

Income	2004	2003
Interest income	4,992	4,752
Interest expense	3,521	3,401
	-----	-----
Net interest income	1,471	1,351
Income from securities and participating interests	109	98
Commission income	786	748
Commission expense	100	87
	-----	-----
Net commissions	686	661
Results from financial transactions	285	214
Other revenue	4	33
	-----	-----
Other income	289	247
	-----	-----
Total income	2,555	2,357
Expenses		
Staff costs	833	733
Other administrative expenses	651	671
	-----	-----
Administrative expenses	1,484	1,404
Depreciation	69	76
	-----	-----
Operating expenses	1,553	1,480
Value adjustments to receivables	65	198
Value adjustments to financial fixed assets	2	-
	-----	-----
	1,620	1,678
Additions to the Fund for General Banking Risks	-	-
	-----	-----
Total expenses	1,620	1,678
Operating result before taxation	935	679
Taxation on operating result	267	71
	-----	-----
Group profit after taxes	668	608
Minority interests	42	46
	-----	-----
Net profit	626	562

Consolidated cash-flow statement for the year 2004 (x € 1 million)

Cash flows from operational activities	2004	2003
Net profit	626	562
Adjustments for:		
Depreciation	69	76
Movement in value of receivables	65	198
Fund for General Banking Risks	-	-
Other changes	-9	-145
	<u>125</u>	<u>129</u>
Cash flows from business operations	<u>751</u>	<u>691</u>
Short-dated government paper	-4	79
Trading portfolio securities	311	-468
Banks (not repayable on demand)	-423	3,894
Loans and advances	-19,204	-26,917
Funds entrusted	1,587	12,309
Debt securities	5,198	11,031
Other changes	-1,184	291
	<u>-13,719</u>	<u>219</u>
Net cash generated by operating activities	-12,968	910
Cash flows from investment activities		
Investments and purchases:		
Investment portfolio	-1,751	-1,977
Participating interests	-310	-47
Tangible fixed assets	-55	-62
	<u>-2,116</u>	<u>-2,086</u>
Disposals, redemptions and sales:		
Investment portfolio	2,647	1,352
Participating interests	34	26
Tangible fixed assets	34	13
	<u>2,715</u>	<u>1,391</u>
Net cash used in investment activities	599	-695

Cash flows from financing activities	2004	2003
Increase in group equity	-241	4
Acquisition of subordinated debts	30	151
Redemption of subordinated debts	-63	-
Payment of cash dividend	-48	-6
	<hr/>	<hr/>
Net cash generated by financing activities	-322	149
Net increase in cash	-12,691	364
Cash position		
Cash	1,133	1,202
Banks payable on demand (assets)	11,319	8,823
Banks payable on demand (liability)	-20,892	-5,774
	<hr/>	<hr/>
	-8,440	4,251
Net increase in cash	-12,691	364

Notes to the consolidated balance sheet as at December 2004 (x € 1 million)

ASSETS	2004	2003
Cash	1,133	1,202
<p>This item includes all legal tender, as well as demand deposits at the central banks and national giro services in countries where Fortis Bank Nederland has branches.</p>		
Short-dated government paper	4	-
<p>This item includes securities issued by public bodies with a maximum original term of two years, insofar as they are discountable or accepted as collateral at the central bank. The difference between redemption value and market value in 2004 was virtually nil.</p>		
Banks	36,740	33,408
<p>This item includes all accounts-receivable from credit institutions, central banks, and multilateral development banks that relate to business operations and do not belong to cash or interest-bearing securities.</p>		
<p>The accounts receivable included in this item are:</p>		
• payable on demand	12,106	8,823
• not payable on demand; the remaining term is as follows:		
• up to three months	20,121	19,403
• three months to one year	4,161	4,950
• one year to five years	169	218
• more than five years	183	14
	<hr/>	<hr/>
	36,740	33,408
<p>Of the Banks item, € 87 million was subordinated in 2004 (2003: 0 million).</p>		
<p>The Banks item includes an amount of € 24,806 million for accounts-receivable from Fortis group companies (2003: € 24,090 million).</p>		

	2004	2003
Loans and advances	91,947	72,808
<p>This includes all accounts-receivable relating to business operations, insofar as these are not banks or interest-bearing securities.</p>		
<p>The loans and advances item consists of:</p>		
• loans and advances to the public sector	909	485
• loans and advances to the private sector		
• business loans	19,818	18,231
• consumer loans	53,223	48,195
• professional securities transactions	17,997	5,897
	<u>91,947</u>	<u>72,808</u>
<p>An amount of € 25 million of the loans and advances item is subordinated (2003: € 25 million). Fortis Bank Nederland has pledged € 2.2 billion (2003: € 2.4 billion) in mortgages as collateral for securities that Fortis Bank Nederland has borrowed from AMEV Levensverzekering N.V.</p>		
<p>Loans and advances analysed by type of collateral are as follows:</p>		
• guaranteed by public authorities	8,923	6,645
• mortgages	49,839	44,526
• securities	17,094	6,474
• guaranteed by credit institutions	710	1,577
• other collateral and unsecured loans	15,381	13,586
	<u>91,947</u>	<u>72,808</u>
<p>By means of credit derivatives, Fortis Bank Nederland transferred part of the credit risk on the outstanding loans and advances to third parties. This involves a total amount of € 0.7 billion (2003: € 2.1 billion), effected with credit institutions of which € 0.6 billion (2003: € 1.0 billion) is effected by way of intra-group transactions with other Fortis group companies.</p>		
<p>The accounts receivable included in this item are:</p>		
• payable on demand	20,871	9,821
• not payable on demand; the remaining term is as follows:		
• up to three months	9,395	5,459
• three months to one year	5,022	2,062
• one year to five years	9,767	16,233
• more than five years	46,892	39,233
	<u>91,947</u>	<u>72,808</u>

	2004	2003
Total outstanding loans and advances to members of the Executive Board of Fortis Bank Nederland amount to € 2.1 million (2003: € 2.9 million) and for members of the Supervisory Board to € 0.5 million (2003: € 0.5 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.		
The loans and advances include accounts-receivable from:		
• non-consolidated participating interests	18	41
• Fortis group companies	7,856	5,919
• other	84,073	66,848
	<u>91,947</u>	<u>72,808</u>
Concentration of credit risks		
The total of banks, loans and advances, contingent liabilities and irrevocable facilities items can be broken down into the following counterparty business sectors:		
• financial institutions	58,807	47,799
• private loans and advances	65,550	51,845
• trade and industry	14,075	11,426
• services sector	717	3,264
• public sector	4,698	2,015
• other	1,337	2,665
	<u>145,184</u>	<u>119,014</u>
Lease contracts	167	188
Lease contracts (consisting of operational and financial lease contracts) are included under loans and advances to the private sector.		
• Operational lease	-	-
• Financial lease	167	188
	<u>167</u>	<u>188</u>

	2004	2003
Financial lease		
Lease contracts are included under loans and advances to the private sector.		
• within one year	21	49
• one year to five years	53	80
• more than five years	93	59
	167	188

Country risk

The total volume of cross-border loans and advances is substantial, but relates generally to OECD countries. The level of risk to which these loans are exposed increases when interest payments or principal repayments are, or may be, obstructed by government measures or extreme economic circumstances. Additional value adjustments are thus made in order to take account of country risks. The following table, which is based on reports to the Dutch Central Bank, shows both the gross and net country-risk exposure with respect to countries with a heightened risk. The gross exposure comprises all receivables from debtors in a country with a heightened risk, insofar as they are not denominated in the currency of the country in question. The net exposure is calculated by deducting these items from the gross exposure that, based on past experience, is known to be subject to limited risk (e.g. short-term trade finance, moveable assets, pre-export financing and guarantees). The provision for country risk is determined on the basis of the net exposure and a specific percentage for each country in accordance with Fortis Bank guidelines.

Provisions and exposure to countries with a heightened risk can be broken down as follows as at December 2004.

	Gross exposure	Net exposure	Provision 2004	Provision 2003
Southeast Asia	43	3	1	2
Asia (other)	557	14	5	6
South America	198	9	1	6
Central America	60	-	-	-
Russia	93	-	-	-
Other countries	423	4	1	4
Total	1,374	30	8	18

	2004	2003
Allowance for loan losses		
The allowance for loan losses is allocated as follows:		
• Allocated to loans and advances	532	717
	<u>532</u>	<u>717</u>
Movements in the provision for loan losses were:		
Opening balance at 1 January	717	652
Change in consolidation scope	13	50
Written-off	-270	-203
Additions from value adjustments to receivables	65	198
Release of general loan-loss reserves	-	
Additions from net interest income	19	17
Other movements	-12	3
	<u>532</u>	<u>717</u>
Closing balance as at December	532	717

Other movements are mainly due to exchange-rate differences.

Interest-bearing securities

	8,460	9,775
This item includes issued negotiable debentures with either fixed or floating interest rates and other fixed-interest securities, insofar as these are not shown under short-dated government paper.		
Of this balance-sheet item, the following amounts have been issued by:		
• public bodies	4,038	5,741
• other	4,422	4,034
	<u>8,460</u>	<u>9,775</u>
Of the interest-bearing securities, the following amounts are:		
• quoted	5,645	7,953
• unquoted	2,815	1,822
	<u>8,460</u>	<u>9,775</u>

	2004	2003
Interest-bearing securities can be divided into:		
• the investment portfolio qualifying as fixed assets	7,298	8,204
• trading portfolio	1,162	1,571
	<u>8,460</u>	<u>9,775</u>

Of the interest-bearing securities, a sum of € 419 million is redeemable within one year (2003: € 427 million).

Movements in the investment portfolio qualifying as fixed assets were as follows:

Opening balance at 1 January	8,204	7,861
Purchases	1,689	1,934
Change in consolidation scope	-15	-293
Sales	-2,348	-342
Redemptions	-220	-969
Exchange-rate differences	-3	-
Other movements	-9	13
Closing balance as at December	<u>7,298</u>	<u>8,204</u>

The fair value of the investment portfolio amounts to € 7,560 million (2003: € 8,510 million).

The net difference, not yet amortised at the balance sheet date, between interest-bearing securities shown at redemption value and belonging to the investment portfolio and the cost of those securities amounts to € 106 million (2003: € 86 million). This difference is included under 'Prepayments and accrued income' and will be amortised during the remaining term of the relevant interest-bearing securities.

The acquisition cost of the trading portfolio is € 5 million above the market value (2003: € 16 million lower).

Shares

	2004	2003
	11,461	2,837
This item includes issued shares and other non-fixed-interest securities. Of this item, the following amounts are:		
• quoted	11,201	2,525
• unquoted	260	312
	<u>11,461</u>	<u>2,837</u>
 This balance sheet item can be divided into:		
• the investment portfolio qualifying as fixed assets	18	18
• trading portfolio	11,243	2,568
• other portfolios	200	251
	<u>11,461</u>	<u>2,837</u>
 Movements in the investment portfolio qualifying as fixed assets were as follows:		
Opening balance at 1 January	18	4
Change in consolidation scope	9	68
Purchases	2	11
Sales	-15	-64
Reclassifications	4	-1
	<u>18</u>	<u>18</u>
Closing balance as at December	18	18
 The cost of the trading portfolio is € 603 million below the market value (2003: € 117 million lower). The trading portfolio includes € 33 million in Fortis shares (2003: € 18 million). These shares are used to hedge derivatives positions.		
 Movements in other portfolios were as follows:		
Opening balance at 1 January	251	288
Purchases	60	43
Sales	-64	-41
Revaluation through equity	18	-15
Revaluation through P&L	-29	-23
Other movements	-36	-1
	<u>200</u>	<u>251</u>
Closing balance as at December	200	251

Property and equipment

This item includes land and buildings, machinery and equipment, other fixed assets, tangible fixed assets in progress and advance payments on tangible fixed assets.

Movements in this balance-sheet item were as follows:

	Land and buildings in use by group companies	Land and buildings not in use by group companies	Other tangible fixed assets	2004	2003
Opening balance at 1 January	286	7	192	485	406
Change in consolidation scope	-5		-5	-10	-9
Investments	1		54	55	62
Disposals	-26	-2	-6	-34	-13
Revaluations	-21	1		-20	115
Depreciation	-7		-61	-68	-73
Exchange rate differences					-5
Change in consolidation scope	16		4	20	2
Closing balance as at December	244	6	178	428	485
Cumulative depreciation	70	-	380	450	443
Cumulative revaluation	107	3	-	110	142

Land and buildings in use by group companies include buildings with a balance-sheet value of € 55 million on plots acquired on long lease (2003: € 57 million). Other fixed assets include computer equipment with a balance-sheet value of € 4 million acquired on a long lease (2003: € 7 million).

	2004	2003
Other assets	8	11
<p>This item includes precious metals and other goods, and all assets that cannot be grouped under other asset headings.</p>		
Prepayments and accrued income	7,073	2,835
<p>This item includes advance payment of costs charged to subsequent periods, deferred tax assets, prepaid pension costs, accrued interest, the net asset value of derivatives contracts and other off-balance-sheet instruments shown at market value. Deferred tax assets amount to € 38 million (2003: € 246 million). Prepaid pension costs amount to € 503 million (2003: € 314 million). The deferred tax assets and prepaid pension costs are mainly long term. The remaining term of other prepayments and accrued income is less than one year.</p>		
Assets pledged	3,799	5,572
<p>Interest-bearing securities, loans and shares have been pledged to provide security for various debts and are therefore no longer freely disposable. Fortis Bank Nederland has pledged € 2.2 billion in mortgages as collateral for securities that Fortis Bank Nederland has borrowed from AMEV Levensverzekering (2003: € 2.4 billion).</p>		

LIABILITIES

	2004	2003
Banks	65,210	49,794
<p>This includes non-subordinated debts to credit institutions, central banks and multilateral development banks, insofar as they are not embodied in debt securities.</p> <p>The debts included in this item are:</p> <ul style="list-style-type: none"> • payable on demand • not payable on demand; the remaining term is as follows: <ul style="list-style-type: none"> • up to three months • three months to one year • one year to five years • more than five years 		
	20,892	5,774
	31,907	29,826
	12,366	13,879
	43	61
	2	254
	<u>65,210</u>	<u>49,794</u>
<p>The banks item includes € 53,658 million for accounts payable to Fortis group companies (2003: € 40,376 million).</p>		
Entrusted Funds	45,636	44,050
<p>This item includes all non-subordinated liabilities other than Banks and debt certificates.</p> <ul style="list-style-type: none"> • Savings accounts: <p>Includes the balances of savings accounts, savings deposits and time deposits of private customers. The interest payable on savings accounts is also included under this heading.</p> <ul style="list-style-type: none"> • Other entrusted funds: <p>Includes all entrusted funds other than savings accounts.</p>		
	11,893	12,233
	33,743	31,817
	<u>45,636</u>	<u>44,050</u>

	2004	2003
The savings accounts item can be divided into:		
• payable on demand	10,633	11,316
• not payable on demand; the remaining term is as follows:		
• up to three months	706	373
• three months to one year	167	8
• one year to five years	290	180
• more than five years	77	349
• indefinite term	20	7
	<u>11,893</u>	<u>12,233</u>

The other Entrusted funds item can be broken down as follows:		
• payable on demand	18,884	17,080
• not payable on demand; the remaining term is as follows:		
• up to three months	10,296	10,897
• three months to one year	790	27
• one year to five years	2,011	3,411
• more than five years	1,750	398
• indefinite term	12	4
	<u>33,743</u>	<u>31,817</u>

Entrusted funds include € 6 billion for accounts payable to Fortis group companies (2003: € 8 billion).

Debt certificates	17,886	12,689
Debt certificates include bonds and other issued negotiable debt certificates, such as certificates of deposit and accepted bills issued by the company, with either fixed or floating interest rates, which are not subordinated. This item consists entirely of interest-bearing securities. The breakdown of debt securities by remaining term is as follows:		
• payable on demand	-	228
• not payable on demand; the remaining term is as follows:		
• up to three months	772	117
• three months to one year	-	517
• one year to five years	8,053	4,717
• more than five years	9,061	7,110
	<u>17,886</u>	<u>12,689</u>

	2004	2003
Other liabilities	16,354	7,789
<p>This item refers only to the bank's own short positions in securities. The short positions are included in the trading portfolio and are all quoted shares. The remaining term of the other liabilities is up to three months.</p>		
Accruals and deferred income	5,600	2,570
<p>This includes advance payments for income credited to later periods and amounts payable, such as accrued interest, dividend payable, holidays not taken and the net liability position of derivatives contracts and other off-balance-sheet instruments carried at market value. The remaining term is less than one year. The amount payable in taxes and social security premiums is € 118 million (2003: € 102 million).</p>		
Provisions	240	226
<p>This includes provisions for:</p>		
<p>Integration and reorganisation:</p>		
• social plan for early retirement of staff aged 56 and above	9	26
• other integration and reorganisations	41	11
	<u>50</u>	<u>37</u>
<p>Personnel provisions:</p>		
• pension commitments	-	13
• other personnel provisions	128	119
	<u>128</u>	<u>132</u>
<p>Other provisions:</p>		
• deferred tax liabilities	6	3
• other	56	54
	<u>62</u>	<u>57</u>
	<u>240</u>	<u>226</u>
<p>Depending on their nature, the provisions are mainly medium-term.</p>		

	2004	2003
Integration and reorganisation provisions		
Movements		
Opening balance at 1 January	37	73
Additions	36	17
Additions from net interest income	1	4
Utilisation	-13	-35
Releases	-4	-22
Change in consolidation scope	-7	-
	<hr/>	<hr/>
Closing balance as at December	50	37

Pension commitments

Defined-benefit plans

Fortis has a number of defined pension-benefit plans covering almost all employees. A defined-contribution plan is in place for the excess portion of the salary of employees in the Netherlands and certain foreign subsidiaries. The benefits are based on length of service and the level of remuneration. Pension commitments are determined by factors such as mortality, personnel changes and wage projections, allowing for the specific economic conditions of each country or company. Discount rates are based on the yield (on the valuation date) of debt securities issues by blue-chip companies (or, in the absence of a representative market, by the government).

Cost components of pensions:

	2004	2003
• Service costs	75	70
• Interest costs	79	71
• Expected return on plan assets	-70	-72
• Amortisation	22	20
Net periodic pension costs	106	89

The following table gives the parameters applied at 1 January:

• Discount rate	4.90%	5.00%
• Expected return on plan assets	4.90%	5.80%
• Rate of remuneration increase	2.40%	2.50%

For the year-end 2004, a discount rate of 4.15% and an expected return on plan assets of 4.85% has been used to calculate the projected benefit obligation and the accrued benefit obligation test.

The following table presents changes in pension obligations and the fair value of plan assets. The net amount is recorded in the balance sheet under Other assets or under Other liabilities.

	2004	2003
Projected benefit obligations at 1 January:	1,532	1,288
Acquisitions or sale of group companies	-77	-26
Service costs	75	70
Interest costs	79	71
Actuarial gains and losses	312	150
Benefits paid	-24	-21
	<hr/>	<hr/>
Projected benefit obligations as at December	1,897	1,532
Fair value of plan assets at 1 January:	1,443	1,121
Actual return on plan assets	89	51
Acquisition or sale of group companies	-77	-22
Employer contribution	279	314
Benefits paid	-24	-21
	<hr/>	<hr/>
Fair value of plan assets as at December	1,710	1,443
The plan assets mainly comprise fixed-income securities and investment contracts with insurance companies.		
Prepaid pension cost		
Projected benefit obligation minus fair value of plan assets	187	89
Unrecognised prior service costs	67	76
Other unrecognised gains/losses	-757	-466
	<hr/>	<hr/>
Prepaid pension costs	-503	-301
Equity adjustment (gross)	-	-
	<hr/>	<hr/>
Total pension position	-503	-301
Provision for pension commitments	-	13
Minimum pension liability	-	-
	<hr/>	<hr/>
Pension commitments	-	13
Prepaid pension costs	-503	-314
	<hr/>	<hr/>
Total pension position	-503	-301

	2004	2003
Due to the unfunded status of the pension plan, actual benefit obligation minus fair value of plan assets, extra payments were made to the pension fund in 2004 to cover this deficit. In addition, a subordinated loan of € 220 million (2003: € 50 Million) was granted to the pension fund. The subordinated loan is recorded under prepaid pension costs.		

Prepaid pension costs are recorded under prepayments and accrued income.

Fortis Bank Nederland has a finance agreement with the pension fund of Fortis Bank Nederland. Fortis Bank Nederland is liable for shortfalls that may arise in the pension fund.

Defined-Contribution Plans

Fortis Bank Nederland also sponsors a number of defined-contribution plans for the excess portion of the salary of employees in the Netherlands and certain subsidiaries abroad. Employees can contribute to the plan based on a percentage of their remuneration, within the limits set by local tax laws. Aggregate contributions to defined-contribution plans amounted to € 26 million (2003: € 27 million).

Other personnel provisions

Movements

Opening balance at 1 January	119	191
Additions	39	28
Utilisation	-21	-97
Releases	-1	-2
Other movements	-1	-1
Additions from net interest income	1	-
Change of consolidation scope	-8	-
Closing balance as at December	128	119

	2004	2003
Other provisions		
Combined movements		
Opening balance at 1 January	57	76
Additions	22	26
Utilisation	-10	-7
Releases	-6	-25
Other movements	-1	-13
	<hr/>	<hr/>
Closing balance as at December	62	57
 Fund for General Banking Risks	 449	 427
<p>This provision covers the overall risk to which Fortis Bank Nederland or its subsidiaries and participating interests are exposed by virtue of lending and other day-to-day banking operations.</p> <p>Movements in the Fund for General Banking Risks were as follows:</p>		
Opening balance at 1 January	427	395
Change in consolidation scope	-4	32
Change in tax rate	26	-
	<hr/>	<hr/>
Closing balance as at December	449	427
 Subordinated liabilities	 1,273	 1,305
<p>The bonds and loans referred to under this item are subordinated to all current and future liabilities of the group companies that have taken up the loans. Early redemption in full or in part is subject to the permission of the Dutch Central Bank. Fortis Finance provided € 506 million of these subordinated loans, and Fortis Bank provided € 250 million (2003: € 465 million by Fortis Finance and € 250 million by Fortis Bank).</p> <p>This item is made up as follows:</p>		
• a 6.00% subordinated loan with an original term to the year 2007	113	113
• a 6.525% subordinated loan with an original term to the year 2010	250	250
• a 6.87% subordinated loan with an original term to the year 2031	170	-
• other subordinated loans, each amounting to less than 10% of the total subordinated liabilities with an average interest rate of 6.2% (2003: 6.4%).	740	942
	<hr/>	<hr/>
	1,273	1,305
<p>Interest amounting to € 58 million was paid on subordinated loans in the year under review (2003: € 59 million).</p>		

	2004	2003
Shareholders' equity	4,526	3,931
For movements in shareholders' equity, we refer the reader to the notes on the 'Shareholders' equity' item in the company balance sheet.		
Minority interests	598	800
This includes the share in group equity to be allocated to third parties. The non-cumulative preference shares issued by Fortis Capital Company Ltd are reported in the consolidated financial statement as minority interests.		
Contingent liabilities	3,227	3,333
This item can be specified as follows:		
• commitments ensuing from the issue of suretyships and guarantees	1,755	1,995
• commitments ensuing from irrevocable letters of credit	1,472	1,338
	<hr/> 3,227	<hr/> 3,333
Irrevocable facilities	13,270	9,465
This concerns all commitments on account of irrevocable undertakings that can lead to a credit risk.		
Issued guarantees		
In addition to the amounts shown in 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.		
Securities lent and borrowed		
The bank is actively involved in the lending and borrowing of securities. The majority of borrowed securities are lent to third parties. These are not included in the balance sheet.		
• borrowed (for repayment or replacement)	59,311	32,721
• lent (for repayment or replacement)	44,658	25,690
Rental and lease commitments	248	243
Commitments arising from long-term rental and lease contracts amount to € 248 million (2003: € 243 million). Of these commitments, € 154 million relates to the period up to and including 2009 and, of this latter amount, € 44 million relates to 2005.		

Other off-balance-sheet commitments

Legal proceedings against Fortis Bank Nederland and/or its group companies are pending in a number of jurisdictions. Based on the information currently available, and following consultation with its legal advisers, the Executive Board does not expect the outcome of this litigation to have any significant influence on the consolidated financial position or the overall operations of Fortis Bank Nederland as reported in these financial statements.

Administrative and intermediary activities

Group companies of Fortis Bank Nederland perform administrative and intermediary activities for third parties. The companies of Fortis Bank Nederland also manage assets – mainly securities – under their own name and separate from Fortis Bank Nederland's own assets and liabilities, on behalf of third parties.

Derivatives

Derivatives are financial contracts with a value deriving from an underlying security, a reference price or an index. The notional amounts of these financial instruments are not included in the balance sheet because they relate to rights and/or obligations that will generate cash flows only at a future date. These notional amounts are used solely as units of account. Examples of derivatives traded by Fortis Bank Nederland include forward transactions, futures, interest and foreign exchange swaps, forward rate agreements and options. Derivatives are traded on the stock exchange and over-the-counter (OTC).

In addition to transactions designed to hedge its own exposure to interest rate, price and foreign currency risks, the Bank conducts derivatives business for independent trading purposes and as a service to clients. The risks attached to derivatives trading include credit risk, market risk and operational risk. In addition to organisational measures, the risk policy of Fortis Bank Nederland includes hedging and/or matching transactions with respect to the risk to which it is exposed in its services to clients, and monitoring credit limits with respect to its trading activities.

The 2004 closing balance (on a consolidated basis) of Fortis Bank Nederland's derivatives activities and related credit exposure is shown below. The notional amounts of the various derivatives reflect the extent of the Bank's operations in the relevant markets in terms of short, medium and long-term contracts. The positive market value is an indication of the counterparty risk on these contracts at the balance-sheet date. This credit risk is only a fraction of the notional value of the derivatives contracts.

2004 (amounts x € 1 million)

		Notional Amounts				Positive market Value
		Total	< 1 year	> 1 - < 5 years	> 5 years	
Interest rate contracts						
OTC:	Swaps	70,038	10,212	35,860	23,966	1,420
	Forwards	322	322	-	-	-
	Options	7,519	1,610	3,362	2,547	40
Exchange	Futures	-	-	-	-	-
Total interest-rate contracts		77,879	12,144	39,222	26,513	1,460
Foreign currency contracts						
OTC:	Swaps	208	-	100	108	21
	Forwards	31,337	28,965	2,372	-	782
	Options	1,072	334	738	-	13
Total foreign-currency contracts		32,617	29,299	3,210	108	816
Other contracts						
OTC:		13,126	13,007	119	-	237
Exchange		4,974	4,974	-	-	4
Total other contracts		18,100	17,981	119	-	241
Total derivatives		128,596	59,424	42,551	26,621	2,517

The notional amounts are 82% (2003: 94%) compared to the balance-sheet total.

Some 49% of the total (€ 129 billion) of these notional amounts consists of derivatives used for the bank's trading operations. The remaining 51% is used for the bank's asset and liability management. Of the total notional amount of derivatives contracts, 47% (2003: 52%) is with Fortis group companies. These contracts are mainly interest-rate contracts.

In addition to the positive market value, the unweighted and weighted credit equivalent can provide greater insight into the extent of the credit exposure relating to OTC derivatives positions. The unweighted credit equivalent is the sum of the positive market value and the notional amounts weighted by term and product (interest, foreign exchange, other) on the basis of add-on percentages determined by the Dutch Central Bank. The amount obtained is then weighted by reference to the risk of default using risk-weighting factors by counterparty type as determined by the Dutch Central Bank.

2003 (amounts x € 1 million)

		Notional Amounts				Positive market Value
		Total	< 1 year	> 1 - < 5 years	> 5 years	
Interest-rate contracts						
OTC:	Swaps	71,218	33,356	20,413	17,449	949
	Forwards	9,934	9,934	-	-	11
	Options	5,175	1,240	2,669	1,266	33
Exchange	Futures	-	-	-	-	-
Total interest-rate contracts		86,327	44,530	23,082	18,715	993
Foreign-currency contracts						
OTC:	Swaps	283	-	283	-	42
	Forwards	16,713	15,787	926	-	472
	Options	1,070	369	701	-	18
Total foreign-currency contracts		18,066	16,156	1,910	-	532
Other contracts						
OTC:		11,152	10,624	528	-	676
Exchange		836	836	-	-	6
Total other contracts		11,988	11,460	528	-	682
Total derivatives		116,381	72,146	25,520	18,715	2,207

Amounts x € 1 million

	Credit equivalent 2004		Credit equivalent 2003	
	Unweighted	Weighted	Unweighted	Weighted
Interest-rate contracts	909	362	796	236
Foreign-exchange contracts	1,184	341	692	207
Other contracts	957	216	907	186
Total other contracts	3,050	919	2,395	629

The share of derivatives positions in the total activities of Fortis Bank Nederland is expressed in a number of ways, including the relationship to total risk-weighted assets. This total, on a consolidated basis, amounted to € 52,886 million at year-end 2004 (2003: € 47,486 million).

The weighted credit equivalent of OTC contracts amounts to 1.7% (2003: 1.3 %) of this total.

In addition to credit risk, derivatives also entail market risk. This risk relates to the product's price movements and the underlying assets, as well as to pricing imperfections, and can be restated in accordance with a credit equivalent weighted by degree of risk based on the assets required for solvency measurement purposes (BIS ratio). The weighted credit equivalent of Fortis Bank Nederland's trading portfolio at year-end 2004 was € 177 million (2003: € 264 million), which represents 0.3 % (2003: 0.6 %) of consolidated total risk-weighted assets.

Trading risk profile

Fortis Bank Nederland's trading risk profile is monitored on a daily basis. The main risk to which Fortis Bank Nederland is exposed is the price risk (market risk) on securities and derivatives. Fortis Bank Nederland uses qualitative controls to monitor these risks, in combination with the intensive use of quantitative models based on sensitivity and probability analysis. Daily Value-at-Risk (VaR) reporting is based on a historical simulation model. In addition, a routine and rigorous stress-testing programme is in place.

Trading Risk by category (amount x € 1 million)

	Year-end		Maximum		Minimum		Average	
	2004	2003	2004	2003	2004	2003	2004	2003
Foreign Exchange Risk	0.1	0.1	0.1	0.1	0.0	0.0	0.1	0.1
Equity risk	0.8	0.7	4.9	2.2	0.6	0.4	1.5	0.9

Interest-rate risk on non-trading activities

Fortis Bank Nederland is also exposed to a structural interest-rate risk on its non-trading portfolio relating to potential movements in interest rates. In order to monitor and control this risk, Fortis Bank Nederland uses risk indicators based on value calculations and risk indicators based on profit calculations. The first group of indicators includes basis point sensitivity, value at risk (VaR) and the duration of shareholders' equity. As at 31 December 2004, a gradual increase in interest rates of 1% over the year would have a potentially negative impact equal to 3.5% of the interest result (31 December 2003: 2.3%). A gradual decrease in interest rates of 1% over the year would have a potentially positive impact equal to 3.5% of the interest result (31 December 2003: 1.6%).

The following table showing the interest-rate sensitivity on non-trading activities is based on the above explanation. The percentages mentioned are average interest rates.

	< 1yr	%	1 < 5yr	%	> 5yr	%	Total
Cash	1,133	0.00					1,133
Short-dated government paper	4	0.06					4
Banks / Loans & advances	86,851	3.45	23,160	5.00	18,676	5.21	128,687
Interest-bearing securities	3,221	2.25	3,190	5.24	887	4.71	7,298
Shares	218	4.00					218
Other assets	4,748	2.08	1	2.00			4,749
Banks / entrusted funds	93,751	2.03	12,227	2.81	4,868	3.83	110,846
Debt certificates	14,547	2.37	1,206	4.85	2,133	5.05	17,886
Subordinated liabilities	333	5.99	502	6.28	438	6.39	1,273
Other Liabilities	3,997	1.00	2,466	0.00	5,621	0.00	12,084
Swaps							
• net position	16,253	2.30	-10,882	4.44	-5,371	4.86	-

Foreign-exchange risk

The total value of assets denominated in foreign currencies is € 9.4 billion (2003: € 12.4 billion), while foreign-currency liabilities amount to € 21.6 billion (2003: € 13.7 billion).

Fair value of financial instruments

The fair value of a financial instrument is the current amount at which it could be traded (other than in a forced sale or liquidation) and is best evidenced by a quoted market price, if one exists. Quoted market prices are not available for a significant portion of Fortis Bank Nederland's financial instruments. As a result, the fair values presented here are estimates based on present value or other valuation methods. The calculation of estimated fair value is based on current market conditions and other assumptions. Because an active market is lacking for a variety of products, the actual net realisable value may differ from the calculation set out below.

The fair values presented here may not be comparable with other financial institutions due to the wide range of valuation methods and the numerous estimates that have to be made. In the absence of objective valuation methods, the estimated or derived values are, by definition, subjective. Readers should therefore be wary of using this information to compare the financial status of Fortis Bank Nederland with that of other financial institutions.

The following methods and assumptions were used by Fortis Bank Nederland to estimate the fair values of financial instruments stated in this document.

Financial instruments valued at carrying value

The carrying values of certain financial instruments approximate their fair values because they are carried at market value, are short-term in nature, or are receivable or payable on demand. Instruments of this kind include cash, demand deposits of banks and customers, trading portfolio securities, accrued interest, other short-term borrowings and certain other assets and liabilities that are regarded as financial instruments.

Investment portfolio

Fair values for investment securities are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on discounted cash-flow calculations or the quoted market prices of comparable instruments.

Loans and advances

Fair values for loans and advances are estimated by discounted analysis of anticipated cash flows, using the interest rates for loans made on similar terms to borrowers with a similar credit rating. Cash-flow analysis is used to estimate the fair value of non-performing loans.

Funds entrusted

The fair values reported for demand deposits, savings accounts and other deposits without maturity are, by definition, equal to the amount payable on demand at the reporting date (i.e. their carrying values). The carrying values of variable-rate, fixed-term deposits approximate their fair values at the reporting date. Fair values for other deposits are estimated using present value, calculated at current interest rates.

Debt certificates and other long-term debt

The fair value of variable-rate, long-term debt (subordinated loans and other long-term debt) is often approximately equal to its carrying value. The fair values of Fortis Bank Nederland fixed-rate, long-term debt are estimated using discounted cash-flow analysis based on Fortis Bank Nederland's current borrowing rates for similar borrowing arrangements.

Off-balance-sheet instruments

The fair value of exchange-traded derivatives is based on quoted market prices or dealer quotations. Fair values for non-exchange traded or over-the-counter derivatives are calculated using discounted cash-flow analysis based on market yields for similar instruments and the maturity of each instrument. Discount rates are based on market rates and indices for similar derivatives prevalent in the market.

Amounts x € 1 million

	2004	2004	2003	2003
	Book value	Fair value	Book value	Fair value
Assets				
Cash	1,133	1,133	1,202	1,202
Short-dated government paper	4	4	-	-
Banks / Loans and advances	128,687	130,624	106,217	107,233
Interest-bearing securities	8,460	8,715	9,775	10,282
Shares	11,461	11,461	2,837	2,837
Other assets	8,027	8,027	3,550	3,558
Total	157,772	159,964	123,581	125,112
Liabilities				
Banks / Entrusted funds	110,846	110,679	93,844	93,245
Debt certificates	17,886	18,197	12,689	12,875
Subordinated liabilities	1,273	1,430	1,066	1,219
Other liabilities	27,767	27,479	15,743	15,760
Total	157,772	157,785	123,581	123,099
Derivatives				
Trading	-4	-140	-6	71
Non-trading	-205	-964	142	-652
Total	-209	-1,104	136	-581

Assets under management

The assets under management for customers at year-end 2004 can be broken down into the following customer categories and geographical areas. The geographical area is based on country in which the office that manages the funds is located.

Amounts x € 1 million	Credit equivalent 2004		Credit equivalent 2003	
	Benelux	Rest of World	Total 2004	Total 2003
Private customers	14,448	6,388	20,836	16,949
Institutional customers	2,828	72	2,900	3,076
Total	17,276	6,460	23,736	20,025

Movements in the assets under management for customers in 2004 were as follows:

Amounts x € 1 million	1/1/2004	Net		31/12/2004
		Inflow	Other movements	
Private customers	16,949	-561	4,448	20,836
Institutional customers	3,076	-177	1	2,900
Total	20,025	-738	4,449	23,736

The 'other movements' in Private customers are mainly the result of the acquisition of the Private Banking and Trust activities from Banque Générale du Luxembourg.

Notes to the consolidated profit and loss account for the year 2004 (x € 1 million)

	2004	2003
Interest		
Interest income	4,992	4,752
This includes income from lending and related transactions, and from related commissions and any other income that has the character of interest.		
This item includes interest receivable from:		
• interest-bearing securities	319	368
• retail and corporate lending	3,774	3,728
• credit institutions	1,384	786
• other	-485	-130
	<hr/> 4,992	<hr/> 4,752
This item includes interest income of € 309 million from Fortis group companies (2003: € 263 million).		
Interest expenses	3,521	3,401
This includes charges arising from borrowing funds and related transactions, and from any other charges that have the character of interest.		
This item includes interest payable in connection with:		
• subordinated loans	58	59
• liabilities to credit institutions	1,583	903
• private and corporate funds	1,371	2,296
• other	509	143
	<hr/> 3,521	<hr/> 3,401
This item includes interest expenses of € 1,170 million from Fortis group companies (2003: € 646 million).		

	2004	2003
Income from securities and participating interests	109	98
Income generated from:		
• shares and other non-fixed-interest securities	25	10
• group companies	41	87
• participating interests not stated at net asset value	43	1
	<hr/> 109	<hr/> 98
 Commission		
Commission income	786	748
This includes fees for banking services performed for third parties, such as domestic and international funds transfer, insurance brokerage, securities brokerage, money changing, factoring, asset management and trust business.		
This item includes € 22 million from fees for services performed for Fortis group companies (2003: € 19 million).		
Commission expenses	100	87
This relates to charges on account of fees for banking services performed by third parties, such as domestic and international funds transfer, insurance brokerage, securities brokerage, asset management and trust business.		
 Results from financial transactions	285	214
This includes realised or unrealised capital gains or losses on securities, exchange-rate differences, price differences on account of the trade in derivatives and on other financial instruments, insofar as these are not regarded as fixed assets.		
This item can be specified as follows:		
• gain or loss on securities trading portfolio	118	51
• gain or loss on foreign currency trading	42	35
• gain or loss on derivatives	146	154
• other	-21	-26
	<hr/> 285	<hr/> 214

‘Other’ consists mainly of results realised on private equity investments.

	2004	2003
Other revenue	4	33
This item can be specified as follows:		
• other	4	33
	<hr/> 4	<hr/> 33
Administrative expenses	1,484	1,404
This includes:		
• staff costs	833	733
• other administrative expenses	651	671
	<hr/> 1,484	<hr/> 1,404
Staff costs include:		
• wages and salaries	601	535
• pension charges	165	118
• social security contributions	67	80
	<hr/> 833	<hr/> 733

The average number of employees of Fortis Bank Nederland in 2004 was 10,176 (2003: 10,314), including 1,621 non-domestic employees. Translated into full-time equivalents (FTEs), the average number of employees was 9,345 (2003: 9,862), including 1,537 non-domestic employees.

In 2004, the remuneration including pension costs of current members of the Executive Board payable by Fortis Bank Nederland was € 3.6 million (total remuneration of current and former members was € 4.1 million in 2003). The remuneration of members of the Supervisory Board of Fortis Bank Nederland was € 0.4 million (2003: € 0.4 million). The remuneration of the members of the Supervisory Board in 2004 was borne partly by Fortis.

	2004	2003
Depreciation	69	76
A breakdown of this item can be found in the list of movements under 'Real Estate and Equipment'.		
Value adjustments to receivables	65	198
Value adjustments to financial fixed assets		
In 2004, an amount of € 2 million was booked due to impairment on a bond position.		
	2	-
Taxation on operating result	267	71
This item relates to the taxes for the financial year on the operating result before taxes as shown in the profit and loss account. In calculating the tax payable, account has been taken of existing tax facilities and the participating-interest exemption and lower taxes in a number of countries. The tax burden is therefore not the same as the nominal tax rate in the Netherlands.		
Reconciliation of the statutory income tax rate to Fortis Bank Nederland's actual income tax rate:		
Operating result before taxes	935	679
Statutory tax rate (34.5%)		
Statutory tax amount	323	234
Participating-interest exemptions	-29	-60
Differences due to different foreign tax rates	-39	-55
Additionally recognised tax income	-17	-49
Change in tax rate	29	-
Other	-	1
	<hr/>	<hr/>
Actual amount of taxation	267	71

The effective tax rate is 29% (2003: 10%).

Segment information

Fortis Bank Nederland is built around three businesses – Network Banking, Merchant Banking and Investment Services – and has a presence in many countries.

The table below presents a breakdown of figures according to geographic presence:

	2004				2003			
	Total income	Operating expenses	Total income less operating expenses	Average number of employees*	Total income	Operating expenses	Total income less operating expenses	Average number of employees*
Netherlands	2,173	1,333	840	7,759	1,971	1,294	677	8,374
Belgium	29	15	14	157	24	13	11	157
Luxembourg	12	8	4	35	3	2	1	3
Total for Benelux	2,214	1,356	858	7,951	1,998	1,309	689	8,534
United States	-	-	-	-	1	-	1	-
Rest of the world	341	197	144	1,394	358	171	187	1,328
Total	2,555	1,553	1,002	9,345	2,357	1,480	877	9,862

The following table presents a breakdown of figures by business line:

	2004				2003			
	Total income	Operating expenses	Total income less operating expenses	Average number of employees*	Total income	Operating expenses	Total income less operating expenses	Average number of employees*
Network Banking	1,569	906	663	6,434	1,588	918	670	6,992
Merchant Banking	348	195	153	723	199	193	6	780
Investment Services	638	452	186	2,188	570	369	201	2,090
Total	2,555	1,553	1,002	9,345	2,357	1,480	877	9,862

Company balance sheet as at December 2004
before profit appropriation (x € 1 million)

Assets	2004	2003
Banks	3,970	2,130
Loans and Advances to the private sector	5	7
Participating interests in group companies	4,162	3,678
Other participating interests	1	1
Prepayments and accrued income	689	132
Total Assets	8,827	5,948

Liabilities	2004	2003
Banks	5	7
Entrusted funds	105	117
Debt certificates	3,204	676
Accruals and deferred income	212	221
	<u>3,526</u>	<u>1,021</u>
Fund for General Banking Risks	37	39
Subordinated liabilities	738	957
Share capital	459	459
Preference share capital	107	107
Share premium reserve	1,637	1,637
Revaluation reserve	162	147
Legal and statutory reserves	7	7
Legal reserve intangible fixed assets	-	1
Other reserves	1,528	1,011
Unappropriated profit	626	562
	<u>4,526</u>	<u>3,931</u>
Risk-bearing capital	5,301	4,927
	<u>8,827</u>	<u>5,948</u>
Total liabilities	8,827	5,948
Contingent liabilities	12	4
Irrevocable facilities	-	8

Company profit and loss account for the year 2004 (x € 1 million)

	2004	2003
Result from participating interests after taxes	588	465
Other result after taxes	38	97
Net profit	626	562

Notes to the company accounts as at December 2004

	2004	2003
General		
<p>The information provided in the notes to the consolidated balance sheet and profit and loss account also applies to the company financial statements, unless stated otherwise below.</p>		
ASSETS		
Banks	3,970	2,130
<p>This item includes all accounts-receivable from credit institutions and multilateral development banks that relate to business operations and are not included under cash or interest-bearing securities.</p>		
<p>The accounts-receivable included in this item are:</p>		
• payable on demand	502	1,457
• not payable on demand; the remaining term is as follows:		
• three months to one year	5	-
• one year to five years	2,230	-
• more than five years	1,233	673
	<u>3,970</u>	<u>2,130</u>
<p>The Banks item includes accounts-receivable from participating interests. As in 2004, none of the accounts-receivable from participating interests was subordinated in the year under review.</p>		
Loans and advances	5	7
<p>This includes all accounts-receivable relating to business operations. The loans and advances in question are to the private sector. The accounts-receivable included in this item are:</p>		
• not payable on demand; the remaining term is as follows:		
• one year to five years	5	3
• more than five years	-	4
	<u>5</u>	<u>7</u>

	2004	2003
The loans and advances item includes accounts-receivable from:		
• participating interests	5	7
• group companies	-	-
	<u>5</u>	<u>7</u>

Participating interests in group companies

This item includes:		
• credit institutions	3,708	3,109
• other	454	569
	<u>4,162</u>	<u>3,678</u>

The participating interests are unquoted.

Movements in participating interests in group companies:

Opening balance at 1 January	3,678	3,043
Purchases	12	-
Sales	-15	-72
Revaluation	7	69
Goodwill	-41	-329
Result	588	465
Dividend	-42	-25
Capital increase	-	385
Other movements, net	-25	142
	<u>4,162</u>	<u>3,678</u>
Closing balance as at December	4,162	3,678

	2004	2003
Other participating interests	1	1
This item includes unquoted participating interests.		
Movements in other participating interests:		
Opening balance at 1 January	1	-
Revaluation	-	3
Dividend	-	-2
Other movements, net	-	-
	<hr/>	<hr/>
Closing balance as at December	1	1

The list of major subsidiaries and associated companies, which relates in part to this item, is included on page 92. The complete list of participating interests as referred to in Article 414, Book 2 of the Netherlands Civil Code has been filed with the Trade Register.

Prepayments and accrued income	689	132
This item includes advance payments for costs charged to subsequent periods, outstanding invoiced amounts such as accrued interest, and the net asset value of derivatives contracts and other off-balance-sheet instruments shown at market value. This amount includes € 572 million of equity derivatives concluded with Fortis Bank Belgium. These equity derivatives are a hedge position of issued debt securities with the same characteristics.		

	2004	2003
LIABILITIES		
Banks	5	7
This includes non-subordinated liabilities to credit institutions, insofar as they are not embodied in debt securities.		
The liabilities included in this item are:		
• payable on demand	-	-
• not payable on demand; the remaining term is as follows:		
• 3 months to five years	5	2
• more than five years	-	5
	<u>5</u>	<u>7</u>
The Banks item includes accounts payable to:		
• participating interests	5	7
• Fortis group companies	-	-
	<u>5</u>	<u>7</u>
Funds entrusted	105	117
This item includes all non-subordinated liabilities, other than banks and debt certificates. The funds entrusted item does not include savings.		
The other Entrusted funds item can be broken down as follows:		
• payable on demand	-	-
• not payable on demand; the remaining term is as follows:		
• one month to one year	5	-
• one year to five years	100	115
• more than five years	-	2
	<u>105</u>	<u>117</u>
The Entrusted funds item comprises accounts payable to:		
• participating interests	-	-
• Fortis group companies	-	-
• other	105	117
	<u>105</u>	<u>117</u>

	2004	2003
Debt certificates	3,204	676
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.		
Debt certificates can be broken down by their remaining term as follows:		
• up to three months	8	3
• three months to one year	-	121
• one year to five years	2,021	222
• more than five years	1,175	330
	<u>3,204</u>	<u>676</u>
Accruals and deferred income	212	221
This includes advance payments for income credited in subsequent periods and amounts payable, such as accrued interest and dividend.		
Fund for General Banking Risks	37	39
This provision covers the general risk to which Fortis Bank Nederland is exposed either directly or via its subsidiaries by virtue of lending and other day-to-day banking operations.		
Movements in the Fund for General Banking Risks were as follows:		
Opening balance at 1 January	39	39
Releases (net)	-2	-
Closing balance as at December	<u>37</u>	<u>39</u>

	2004	2003
Subordinated liabilities	738	957
<p>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. Fortis Capital Company Limited provided € 473 million of these subordinated loans.</p>		
<p>This item is made up of the following:</p>		
• a variable-rate subordinated loan with an original term to the year 2029 (interest rate is fixed annually)	473	473
• a variable-rate subordinated loan with an original term to the year 2029 (interest rate is fixed annually)	-	200
• other subordinated loans each amounting to less than 10% of the total subordinated liabilities with an average interest rate of 6.07% (2003: 6.1%)	265	284
Closing balance as at December	738	957

The interest paid in the year under review amounts to € 24 million (2003: € 51 million).

Shareholders' equity

Share capital

Issued and paid-up capital amounts to € 566 million distributed over 1,010,733 ordinary shares, 235,210 non-cumulative preference shares and 1 cumulative preference class-E share (7.7%), each with a nominal value of € 453.79.

The non-cumulative preference shares comprise 40,048 class-B shares (4.25%), 195,161 class-C shares (5.5%) and 1 class-D share without a predefined payout ratio.

The nominal value of issued and paid-up shares is:

Ordinary shares	459	459
Preference shares	107	107

Share premium

Movements in shareholders' equity are as follows:

	Share Capital	Preference share capital	Share premium	Revaluation reserves	Legal and statutory reserves	Legal reserve intangible fixed assets	Other reserves	Unap- propriated profit	Total 2004	Total 2003
Opening balance at 1 January	459	107	1,637	147	7	1	1,011	562	3,931	3,175
Profit appropriation							556	-556	-	-
Dividend								-6	-6	-6
Changes due to acquisition or disposal of subsidiaries							-41		-41	56
Pension accounting									-	71
Revaluation of participations				18					18	-15
Revaluation of buildings				-11					-11	84
Result for the year								626	626	562
Other				8		-1	2		9	4
Closing balance as at December	459	107	1,637	162	7	-	1,528	626	4,526	3,931

	2004	2003
Contingent liabilities	12	4
This includes commitments ensuing from the issue of suretyships and guarantees.		
Irrevocable facilities	-	8
This concerns all commitments on account of irrevocable undertakings that can lead to a credit risk.		

Rental and lease commitments

There were no long-term rental or lease commitments at year-end 2004.

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 pages 92 and 93 for a list of the major subsidiaries and associated companies of Fortis Bank Nederland. Subsidiaries for which a general guarantee has been issued are marked with an asterisk).

Utrecht, 17 May 2005

Executive Board

C.J. Beuving (Chairman)
 J.C.M. van Rutte (Vice-Chairman)
 H.P.F.E. Bos
 R.H.L. ten Heggeler
 F.J. van Lanschot

Supervisory Board

B.J.H.S. Feilzer (Chairman)
K.A.M. De Boeck
J-P.L.L. Cardinael
P.J.A. Depovere
F.R.J. Dierckx
J.C. van Ek
P.J.J.R. Evrard
H.C.L. Verwilt

Branches, major subsidiaries and associated companies

Branches of Fortis Bank (Nederland) N.V.:	Interest (%):
Frankfurt, Germany	
Oslo, Norway	
 Major consolidated companies:	
Fortis Bank (Nederland) N.V., Rotterdam*	100
ALFAM Holding N.V., Bunnik*	100
AMEV Bank N.V., Utrecht*	100
AMEV Hypotheekbedrijf N.V., Utrecht	100
AMEV Praktijkvoorziening N.V., Utrecht	100
AMEV Woninghypotheken N.V., Utrecht	100
B.V. Financieringsmaatschappij N.O.B., Amsterdam	100
Direktbank N.V., Amsterdam*	100
Delphinus 2000-1, 2000-2, 2001-1, 2001-2, 2002-1, 2002-2, 2003-1, 2003-2, 2004-1, 2004-2 1	0
DMBS 97-II, 98-I, 99-III, 2001-I 1	0
Fortis Bank Global Clearing N.V., Amsterdam*	100
Fortis Chameleon B.V., Amsterdam	100
Fortis Commercial Finance Holding N.V., 's-Hertogenbosch*	100
Fortis Floor Broker B.V., Amsterdam	100
Fortis Groenbank B.V., Amsterdam*	100
Fortis (GSLA) B.V., Amsterdam	100
Fortis Hypotheek Bank N.V., Rotterdam*	100
F.I. Mortgage Securities B.V., Utrecht	0
Fortis Private Equity Holding Nederland B.V., Utrecht	100
MeesPierson Intertrust B.V., Amsterdam	100
NeSBIC Groep B.V., Utrecht	100
Solid 2004-I 1	0
International Card Services B.V. Amsterdam*	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 Ltd., Sydney, Australia	100
Fortis Fund Services (Ireland) Limited, Dublin, Ireland	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
MeesPierson (Channel Islands) Limited, St Peter Port, Guernsey, Channel Islands	75
Mees Pierson International AG, Zug, Switzerland	100
MeesPierson (Isle of Man) Limited, Douglas, Isle of Man	100
MeesPierson Asia Ltd., Singapore	100
B.V. Petroleum Maatschappij 'Moeara Enim', Amsterdam	95
Major non-consolidated companies:	
First Ukrainian International Commerce Bank, Kiev, Ukraine	20
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.

* 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.

Other information

Amendments to the Articles of Association

The General Meeting of Shareholders held on 18 March 2003 also approved an amendment to the Articles of Association. The amendment, which came into effect on 2 April 2003, authorises Fortis Bank Nederland (Holding) N.V. to approve the issue of depositary receipts for shares on condition that the depositary receipts are registered. In addition, the amendment introduces the blocking rule, which limits the delivery of company shares.

The General Meeting of Shareholders held on 17 June 2003 approved further amendments to the Articles of Association. The amendments came into effect on 24 November 2003, and relate to the restructuring of Dutch mortgage activities within the Fortis Group.

Subsequent events

In February 2005, Fortis Bank Nederland (Holding) N.V. acquired a 100% share in Generale Belgium Holding N.V. from Fortis Bank SA/NV through the issue of ordinary shares. Shareholders' equity increased by € 595 million as a result of this transaction.

Auditors' report

Introduction

We have audited the 2004 financial statements of Fortis Bank Nederland (Holding) N.V., Utrecht as included in this report. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the company as of 31 December 2004, and of the result for the year then ended, in accordance with accounting principles generally accepted in the Netherlands, and comply with the financial reporting requirements set out in Title 9, Book 2 of the Netherlands Civil Code.

Amstelveen, 17 May 2005

KPMG Accountants N.V.

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 (5^{1/2}).

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 € 6 million to the holders of preference shares under the terms of Article 19 of the Articles of Association.

The profit appropriation is as follows (x € 1 million):

Preference dividend	€ 6
Addition to reserves	€ 620

**Fortis Bank Nederland
(Holding) N.V.**

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