

2006 ACHMEA HYPOTHEEKBANK N.V.
ANNUAL REPORT





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OFFICERS

Supervisory Board

E.A.J. van de Merwe* (chairman)

A.A. Lugtigheid

J. Medlock (until 1 February 2007)

G. van Olphen*

Ms M. Tiemstra (until 1 October 2006)

R.T. Wijmenga (from 6 November 2006)

* Member of the Audit Committee

Member of the Supervisory Board of Eureka B.V.

Adviser to the Executive Board Eureka B.V.

Adviser to the Executive Board Eureka B.V.

Chief Financial Officer in Executive Board of Eureka B.V.

Member of the Executive Board of Eureka B.V.

Member of the Executive Board of Eureka B.V.

Executive Board

R.J. Hof

J.J.P.M. van Benthem

P.W. van den Bosch

Chief Executive Officer

Chief Financial Officer

Chief Operations Officer



The Executive Board of Achmea
Hypotheekbank N.V. (from left to right):
J.J.P.M van Benthem, R.J. Hof and
P.W. van den Bosch.



PROFILE

Since 1 November 1995, Achmea Hypotheekbank N.V. (hereafter Achmea Hypotheekbank) has been registered in section I, subsection I (General Banking) of the Register as referred to in Section 52 of the Dutch Credit System (Supervision) Act (Wtk) 1992, and by law holds a license that entitles it to provide financial services under section 14 of the Dutch Financial Services Act (Wfd). All of the shares are held by Achmea Bank Holding N.V. The latter entity is fully-owned by Achmea Holding N.V, which in turn is a wholly-owned subsidiary of Eureko B.V.

Achmea Hypotheekbank provides mortgage loans to private customers via the Centraal Beheer Achmea, Avéro Achmea and Woonfonds operating companies. Centraal Beheer Achmea sells mortgages direct to consumers, FBTO via the mortgage service of Vereniging Eigen Huis, while Avéro Achmea and Woonfonds use the distribution power of intermediaries. The loan collateral consists exclusively of residential property intended for owner occupiers and located in the Netherlands. Achmea Hypotheekbank is financed largely by raising loans on the public capital market, the securities being listed on several European stock markets.

The granting of mortgage loans is a separate activity that is of significance to the Achmea Group. The mission of Achmea Hypotheekbank is to meet, in a professional manner, the financing needs of its customers, directly and through intermediaries, and to monitor the interest and other risks inherent in these activities. This mission must be attained within the return threshold set by the Executive Board.

Achmea is the largest insurer in the Netherlands and offers its customers a range of products and services, based on the 'All finance, All care' concept. Achmea is an innovative service provider that aspires to take its customers' worries away. Achmea's ambition is thus to be more than simply an insurance supplier that covers its customers' risks. To that end, Achmea conducts a balanced brand policy, focusing on transparency for its customers. In addition to the Achmea corporate brand, its most important brands are Centraal Beheer Achmea, Interpolis, Zilveren Kruis Achmea, Avéro Achmea and FBTO.

Eureko is a private financial services provider established in the Netherlands and operating in twelve European countries.



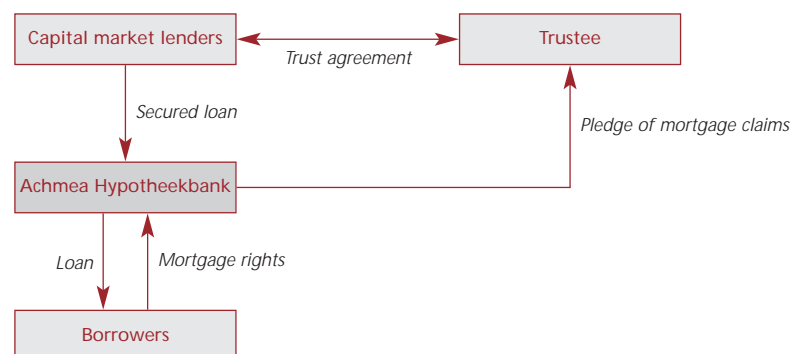
Vereniging Achmea is the largest shareholder, with 48% of shares. Rabobank N.V. holds 35% of shares. The Eureka Group employed 18,711 FTEs (full time equivalent; based on 38 hours) on 31 December 2006. This figure was 20,166 on 31 December 2005.

Security

To finance its lending activities, Achmea Hypotheekbank takes out loans in euros and other foreign currencies, among other things, on the international money and capital markets. To that end, Stichting Trustee Achmea Hypotheekbank was established to serve as security for the fulfilment of the repayment obligations of Achmea Hypotheekbank. At least as many nominal mortgage debts are periodically pledged to this foundation as are needed for the nominal outstanding amount of the debt instruments countersigned by the Trustee. The Trustee and its board operate completely independent of Achmea Hypotheekbank and the Achmea Group. The Trustee ensures that Achmea Hypotheekbank does not enter into more obligations under the Trustee's security than can be repaid to the capital providers from the total mortgage debts pledged to the Trustee. The board of Stichting Trustee Achmea Hypotheekbank is made up of Messrs L.J.A. Simons (chairman), H.P. de Haan, A.H.J.J. Kolnaar and J.C. Terlouw.

This security structure has a number of specific characteristics:

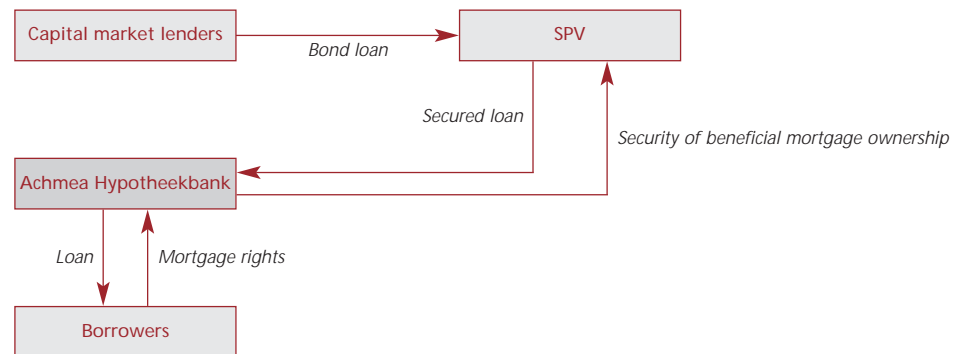
- The loans are granted to private customers and are secured by mortgages on residential property intended for owner occupiers and located in the Netherlands;
- Undisclosed pledging of these mortgage debts to the Trustee; the Trustee is the first and only holder of the pledge on the debts;
- Portfolios are pledged to the Trustee monthly;
- During the year, an external auditor conducts periodic verifications to certify the existence of the collateral and their size in relation to the secured obligations;
- All secured creditors are equal in rank and share equally in the revenues generated by the collateral;
- Collateral is seized and enforced by the Trustee on behalf of the joint secured creditors;
- The Trustee's Board is wholly independent of Achmea Hypotheekbank and the Achmea Group.



Achmea Hypotheekbank intends to use supplementary financing instruments to finance its mortgage portfolio in addition to attracting funding using the Trust formula, by the sale or direct pledging of mortgage debts with or without the transfer of the economic risk.

Since 2000 Achmea Hypotheekbank has performed six securitisation transactions, each of which entailed Achmea Hypotheekbank transferring a mortgage debt portfolio to one of six special purpose vehicles (SPV): Dutch Mortgage Portfolio Loans I B.V. (DMPL I B.V.), Dutch Mortgage Portfolio Loans II B.V. (DMPL II B.V.), Dutch Mortgage Portfolio Loans III B.V. (DMPL III B.V.), Dutch Mortgage Portfolio Loans IV B.V. (DMPL IV B.V.), Dutch Mortgage Portfolio Loans V B.V. (DMPL V B.V.) and Securitised Guaranteed Mortgage Loans I B.V. (SGML I B.V.).

The SPVs financed the purchasing price by issuing bonds on the international capital market. Achmea Hypotheekbank continues to manage the transferred mortgage debt portfolio. The SPVs use the revenues from the mortgage debts to repay the principal sum and pay the interest expenses in connection with the bonds and for the costs of the transaction. The advantage of securitisation of loans without guarantee is lower funding costs. It also results in a lower solvency requirement with regard to the transferred mortgage debt portfolio.



On 26 February 2007, under its new covered bond programme (programme size EUR 10 billion), Achmea Hypotheekbank concluded an initial issue of EUR 1.5 billion (rated AAA/Aaa).

The bonds are issued with the guarantee of a mortgage portfolio transferred to an SPV.



KEY FIGURES

In millions of euros	IFRS 2006	IFRS 2005	IFRS 2004	2003	2002	2001
Total assets	14,493	13,806	13,098	13,006	12,729	11,154
Residential mortgages	13,632	12,705	12,422	11,918	11,281	10,309
Shareholders' equity	264	264	247	241	315	279
Subordinated liabilities	164	195	195	195	195	186
Fund for General Banking Risks	-	-	-	28	28	28
Capital base	428	459	442	464	538	493
Interest income (inc. fees and commissions)	51	80	67	77	68	65
Other income	-	-	-	-	13	17
Income	51	80	67	77	81	63
Expenses	44	38	37	40	50	48
Value adjustments to receivables	1	2	2	2	1	-
Operating profit	6	40	28	35	30	15
Taxes	4	13	11	12	10	4
Net profit	2	27	17	23	20	11
Efficiency ratio	86.3%	47.5%	55.2%	51.9%	61.7%	76.2%
BIS ratio	10.9%	12.4%	11.3%*	11.5%	10.4%	10.8%

•Based on Dutch GAAP.



REPORT OF THE SUPERVISORY BOARD

We are pleased to present the annual report 2006 of Achmea Hypotheekbank N.V. It contains the report of the Executive Board, the financial statements and the appendices. The financial statements are accompanied by a report by KPMG Accountants N.V., as referred to in Article 34 (1) of the articles of association.

We recommend that the shareholders adopt the financial statements 2006 in accordance with the submitted documents, adoption of which discharges the members of the Executive Board and Supervisory Board in accordance with Article 33 (3) of the articles of association.

The Supervisory Board met five times with the Executive Board during the year under review. Important subjects at those meetings were the annual and quarterly figures, the budget and the future strategies of the mortgage lending activities.

The Supervisory Board is involved in judging risk management in general, and credit position, interest risks and liquidity risks in particular. An Audit Committee operates within the Supervisory Board, supervising the quality and integrity of the Company's financial reports and the reports of the internal and external auditor. The Audit Committee met three times in 2006. In addition, there was a great deal of consultation during the course of the year between the members of the Supervisory Board and the Executive Board.

Ms M. Tiemstra resigned from her position as a member of the Supervisory Board on 1 October 2006. She was succeeded by Mr R.T. Wijmenga on 6 November 2006. Mr. J. Medlock resigned from his position on 1 February 2007. This vacancy will not be filled. The Supervisory Board expresses its gratitude to Ms Tiemstra and Mr Medlock for their valuable contribution.

The Supervisory Board also expresses its gratitude to the employees for their work and commitment in 2006.

's-Hertogenbosch, 15 March 2007

The Supervisory Board



REPORT OF THE EXECUTIVE BOARD

General

In the 2006 financial year, Achmea Hypotheekbank made a net profit of EUR 2.2 million, down 93% against the result for 2005 (EUR 27.2 million). The main reason for this decline was the narrower interest margin, owing to heightened competition, and the decreased income from penalty interest. Total assets as at 31 December 2006 came to EUR 14.5 billion, an increase of 5% compared to the figure of EUR 13.8 billion at the end of 2005. The increase is due mainly to the takeover of the Interpolis mortgage portfolio.

The principal developments for the Bank during 2006 were:

Commercial

- For the second year running the bank is awarded by independent market studies as the most appreciated Dutch mortgage provider for intermediaries.
- The summer of 2006 saw the successful launch of the keenly priced 'advantage' line.
- In December 2006 the Bank acquired the Interpolis mortgage portfolio (amounting to EUR 926 million).

Operational

- With regards to legislation, Basel II and the preparations for introduction of the Financial Services Act (Wfd) were the central issues in 2006.

Financial

- November of the year under review brought the successful placing of the first securitisation of mortgages provided under the National Mortgage Guarantee scheme, amounting to EUR 850 million.
- During the year, Standard & Poor's adjusted the Bank's rating from A/A-1 to A-/A-2 with a stable outlook.

Officers

During the year under review, Ms M. Tiemstra resigned from her position as a member of the Supervisory Board. She was succeeded by Mr R.T. Wijmenga, a member of the Executive Board of Eureko B.V. Mr J. Medlock resigned from his position on 1 February 2007. The Supervisory Board is currently made up of Messrs E.A.J. van de Merwe (chairman), A.A. Lugtigheid, G. van Olphen and R.T. Wijmenga.



The Executive Board expresses its gratitude to Ms Tiemstra and Mr Medlock for their valuable contribution to building and growing the organisation.

The Dutch residential mortgage market

In recent times, the market in mortgage products has changed rapidly and become extremely competitive, so that the emphasis now is almost exclusively on price, causing margins to shrink. Also, in 2006 – partly as a result of the historically low mortgage interest rate – mortgage refinancing continued on a large scale. Consequently, although new business is at a high level in gross terms, and the penalty interest received boosted the result, net growth was adversely affected by the substantial redemptions.

In addition, mortgages as a product are increasingly being standardised into simple 'budget' mortgages with no options such as building deposits or daily interest arrangements. On the distribution side, rapid concentration is evident among volume players such as chains and purchasing consortiums, giving rise to a permanent change in the distribution chain.

Achmea Hypotheekbank has responded to these changing circumstances, e.g. by concluding a volume contract with a large chain. Since the spring, it has also offered an advantage line alongside the regular mortgage line.

New home loans totalling EUR 119.9 billion were granted in the Netherlands in 2006, an increase of 5.1% against 2005. This growth was driven by the low mortgage interest rate. The economic recovery also strengthened the confidence of consumers and their willingness to buy residential property.

Mortgage refinancing persists at a high level, though it did decline slightly in the last quarter. At the end of 2006, remortgaging accounted for almost 30.3% of the market. The outstanding amount of mortgage debt increased by 4.8% in 2006 to EUR 389 billion (Source: De Nederlandsche Bank N.V.). The mortgage market is expected to produce more modest growth in 2007, partly because of the probable continuing decline in mortgage refinancing, so that the competition will stiffen further.

As a result of the low interest rate and more favourable economic conditions, house prices rose again in 2006. According to the largest association of estate agents in the Netherlands (NVM), the average house increased in price by 3.7% in 2006 (2005: 6.5%) to EUR 241,000. Generally speaking, there was no noticeable difference in the trend in prices between expensive and cheap housing. Prices rose most sharply in the Randstad conurbation and in the North of the country.

Despite the economic recovery, rising house prices and higher mortgage interest rates made homes less affordable in 2006. Consequently, during the year under review, access to the housing market remained as difficult as ever, especially for first-time buyers. It currently looks as if there will be no change in the tax treatment of the mortgage interest relief in the coming years.

In 2006 the spread between capital and money market interest rates narrowed further, adversely affecting net interest income in that year.

Mortgage portfolio development

The mortgage portfolio of Achmea Hypotheekbank grew EUR 0.9 billion in 2006 (2005: EUR 0.3 billion). As a consequence, growth was 7.1%, compared to the market's 4.8% growth. Achmea Hypotheekbank financed 3.5% of all home loans provided in the Netherlands (2005: 3.4%). This growth can mainly be explained from the acquisition of the Interpolis mortgage portfolio in December 2006, amounting to EUR 0.9 billion. Organic growth came to EUR 0.2 billion in 2006. Interest rate developments have caused the fair value of the hedged mortgage portfolio to fall by EUR 0.2 billion.

70% (2005: 71%) of the overall portfolio of Achmea Hypotheekbank was lent through intermediaries and 30% (2005: 29%) through the direct writing channel.




Within the context of the overall portfolio, the proportion of home loans provided under the National Mortgage Guarantee scheme (NHG) was slightly lower in the year under review. In 2006, part (EUR 850 million) of the NHG portfolio was securitised to Securitised Guaranteed Mortgage Loan I B.V. (SGML I B.V.).

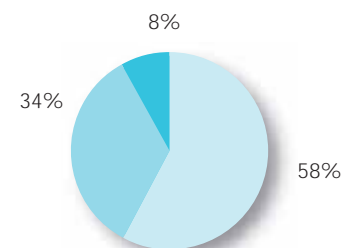
In accordance with the Dutch Credit System (Supervision) Act (as of 1 January 2007: Financial Supervision Act, or Wft), the Bank must meet certain minimum requirements with regard to the actual equity components in relation to the risk-bearing assets, the solvency ratio.

The graph below shows the risk spread of the mortgage portfolio as at 31 December 2006, split into three categories of solvency ratio (SR):

- 0% Weighting applies to mortgages carrying a government guarantee (NHG/National Mortgage Guarantee scheme); or to mortgages whose economic risk has been transferred;
- 50% Weighting applies to those of the other mortgages that do not exceed 75% of the index-linked foreclosure value;
- 100% Weighting applies to the excess over 75% of the index-linked foreclosure value.

Mortgage portfolio split by solvency ratio

-  0% SR NHG/economic transfer
-  50% SR
-  100% SR





By portfolio duration

In millions of euros	2006	proportion	2005	proportion
< 2 years	3,715	27%	4,066	32%
2 years < 5 years	2,814	21%	2,668	21%
5 years < 10 years	4,273	31%	3,812	30%
> or equal to 10 years	2,830	21%	2,159	17%
Total	13,632	100%	12,705	100%

By mortgage type

In millions of euros	2006	proportion	2005	proportion
Interest-only	7,306	54%	6,479	51%
Mixed	1,300	10%	1,398	11%
Savings-based	2,073	15%	2,160	17%
Investment/unit-linked	2,642	19%	2,414	19%
Other	311	2%	254	2%
Total	13,632	100%	12,705	100%

The overall portfolio compared to the total original foreclosure values (excluding the NHG mortgages) was 88% at the end of 2006 (2005: 87%). If the original foreclosure values are indexed according to regional developments of the NVM index, this key ratio is 74% (2005: 74%).

Impairment on financial instruments and other assets

The main reasons for repayment problems among borrowers in the mortgage lending business are loss of income, especially due to unemployment, divorces and judicial separation.

With respect to the Bank's overall mortgage portfolio, which increased from EUR 12.7 billion to EUR 13.6 billion in 2006, the loan losses remained limited.

Compared to previous years there has been a slight change to the method of calculating the impairment arising from doubtful debts. As a consequence, the size of any permanent decline in value results in improved estimates of anticipated future cash flows. In 2006, in contrast to 2005, account was taken of the fact that loans qualifying as 'in default' due to payment arrears are ultimately settled. In consequence, there was a non-recurring positive effect on the 2006 result before tax of EUR 2.2 million. Had the recovery ratio been applied in 2005 the effect would have come to EUR 2.3 million.

At the end of 2006, the allowance for losses on loans and advances totalled EUR 6.7 million (2005: EUR 7.3 million). Loans and advances written off in 2006 totalled EUR 3.5 million (2005: EUR 1.5 million).

In addition to the specific impairment calculated for doubtful debts, value adjustments can only be recognised for potential losses that can be deemed to be present in the loan portfolio based on empirical figures, but have not emerged at the end of the year. This is referred to as the Incurred But Not Reported (IBNR) provision. In 2006, EUR 0.3 million was added to this provision, compared with EUR 0.4 million in 2005.

Organisational developments

Last year the main focus was on continuing to enhance the professionalism of the organisation. The vacant management posts were filled, and the quality of service improved further in all areas. For the second year running the bank is awarded by independent market studies as the most appreciated Dutch mortgage provider for intermediaries. In view of the extremely competitive market, this is a key selling point for us in relation to other suppliers on the market.

In future years Achmea Hypotheekbank is looking to enlarge its market share in the segments of mortgage shop chains and purchasing consortia. As of 1 January 2007, Achmea Hypotheekbank transferred the sales organisation of Woonfonds to the Intermediary Distribution division of Achmea. This completes the centralisation of the whole of the intermediary distribution activity within Achmea.

One of the objectives in the strategy of the Eureko Group is to improve the operational efficiency of the entities forming part of the Group, for instance by achieving, through enhanced cooperation with Rabobank, optimisation and coordination of activities, operations and systems.


European Medium Term Notes Programme

Introduced in 1996 and amounting EUR 10 billion, the European Medium Term Notes programme is used to finance a substantial part of the mortgage portfolio. In 2006, EUR 1.25 billion worth of loans was taken out under this programme. At the end of 2006, a total of EUR 4.2 billion was taken out in public and private loans (2005: EUR 3.2 billion). In all, 11 Achmea Hypotheekbank notes are listed on EuroNext Amsterdam.

Rating

In October 2006, the Executive Board downgraded the earnings forecast. This prompted the credit rating agency Standard & Poor's (S&P) to adjust the rating of Achmea Hypotheekbank from A (stable outlook) to A- (stable outlook) for debt instruments with a term longer than one year that are issued directly by the Bank. The rating for assets acquired with a term shorter than one year (the ECP programme) was also adjusted, from A1 to A2.





A higher A+ rating applies to notes issued under the EMTN programme where the mortgage portfolio pledged to Stichting Trustee Achmea Hypotheekbank serves as security for the loans taken out (Secured Debt Issuance Programme). The rating is higher due to the additional security in the form of a trust arrangement, but also reflects the compensation risk (set-off) with respect to mortgages linked to life insurance policies issued by Achmea Group companies through a direct link with the A+ (stable outlook) rating for Achmea Pension and Life operations.

Securitisation

The Bank actively operated on the public capital market at the end of 2006 by means of a securitisation transaction similar to earlier securitisation transactions. EUR 850 million in mortgages was transferred to SGML I B.V. This transaction is different from previous transactions which were effected through DMPL I to V, because the recent transaction only covers mortgages that come under the National Mortgage Guarantee (NHG) scheme. The Bank maintains these portfolios on its consolidated balance sheet.

Capital base and ratios

The Bank's capital base was EUR 428 million at the end of 2006 (2005: EUR 459 million). The shareholders' equity amounted to EUR 264 million (2005: EUR 264 million).

The subordinated loans amounted to EUR 164 million, of which EUR 96 million is from Achmea Group.

De Nederlandsche Bank has imposed requirements on total capital in accordance with the Dutch Credit System (Supervision) Act (as of 1 January 2007: Financial Supervision Act, or Wft). The qualifying capital of Achmea Hypotheekbank is related to the risk-weighted assets and off-balance sheet obligations. The regulatory authority's standard for this BIS ratio is 8%.

Despite the relatively limited risk attaching to residential mortgage loans, the Bank wishes to maintain a sound solvency position. The Executive Board maintains a minimum BIS ratio of



10.5%. In the financial year the BIS ratio decreased from 12.4% to 10.9% at the end of 2006. The decline in the BIS ratio in the financial year is due to the increase in risk-weighted assets, rising from EUR 2,734 million to EUR 3,584 million, resulting from the takeover of mortgages from Interpolis, on the one hand, and the provision of new mortgages with a weighting of 0%, 50% or 100%, and the decline in the mortgages constituting the DMPL portfolios with a weighting of 0%, on the other hand. Achmea Hypotheekbank has attracted a subordinated loan totalling EUR 60 million to keep the BIS ratio at the desired level.

Qualifying capital and BIS ratio

In millions of euros	2006	2005
Paid-up and called-up capital	18	18
Share premium reserve	164	164
Other reserves	82	82
Tier 1 capital	264	264
Subordinated liabilities (the portion counting towards qualifying capital)	152	97
Deductions	24	21
Tier 2 capital (maximum 50% of Tier 1)	128	76
Total qualifying capital	392	340
Risk-weighted assets	3,584	2,734
Tier 1 ratio	7.4%	9.7%
Tier 2 ratio	3.6%	2.8%
BIS ratio	10.9%	12.4%

Trustee

Stichting Trustee Achmea Hypotheekbank was established on 16 December 1995. The Trustee operates in accordance with a formula in which the Bank pledges mortgage debts to the Trustee as collateral for the loans taken out by Achmea Hypotheekbank. In the event of Achmea Hypotheekbank's failure, the Trustee will receive the interest payments and repayments directly from the mortgagors, distributing them to the secured creditors. It has been agreed with the Trustee board that a surplus value in mortgage debts of at least 5% in respect of the nominal value of the secured loans is maintained. EUR 5.5 billion of the overall portfolio was pledged to Stichting Trustee Achmea Hypotheekbank at the end of 2006. The Trustee countersigned EUR 4.9 billion in loans from third parties.

Pledged mortgage debts

In millions of euros	2006	2005
Pledged mortgage debts	5,504	5,071
Remaining debt of countersigned	4,884	4,061
Addition of negative market value of derivative financial instruments	266	535
	5,150	4,596
Excess value of pledged mortgages	354	475
Excess value (%)	6.9	10.3

Risk Management

The typical risks for a bank include credit risk, interest risk and liquidity risk. The Bank is also subject to more general risks, such as operational risk (including compliance and legal risk), reputation risk and strategic risk. The management of these risks play a central role in banking. Risk management and risk awareness are an integral part of the organisation and the culture of banking activities. The Bank employs a 'three lines of defence' concept for risk management.

The first line of defence is formed by the control measures included in the operational processes, which must be monitored as part of the internal control activities of the line managers. The second line are the Risk Management, Compliance and Credit Risk departments, which operate independently of the commercial activities. The third line is formed by the Group Audit and Risk Services department, which monitors the risk management framework.

The Risk Management Committee is responsible for coordinating risk management. In addition, there are specific committees, such as the Asset and Liability Committee (ALCO) for interest and liquidity risks, and the Legislation Committee. Through the Audit Committee, both the Executive Board and the Supervisory Board are actively involved in the various aspects of risk management.

As part of Eureka, Achmea Hypotheekbank conducts risk control assessments by reference to the Eureka Risk Control Framework, based on COSO-ERM. These assessments result in a risk control scorecard. The level of control must be underpinned for each specific process owner. The risk officer and group audit assess the risk control scorecard. Areas requiring improvements are included in a plan of action.

Credit Risk

Achmea Hypotheekbank's credit risk is managed through strict credit acceptance criteria, as established by the Executive Board for the mortgage lending business. The Credit Risk department conducts analyses and formulates proposals for lending and credit risk policies. In addition, consultative structures have been set up addressing all of the parties involved in the lending process.



Interest and Liquidity Risk

The Treasury department is responsible for the daily management of interest and liquidity risk. The positions taken are subject to limits and are monitored by the Risk Management department. The interest and liquidity risk is discussed in the Bank's ALCO every two weeks.

The market value approach is key to the measurement of the interest risk. Such tools as delta vectors (value changes in the overall mortgage portfolio, itemised by term) and Value-at-Risk are used for this. The impact on the profit and loss account is also monitored through the Income-at-Risk indicator.

Limits to the net financing need are set for the liquidity risk within a certain time horizon. A good funding spread (with respect to term, counterparties and instrument types) is also an important policy component. The recent credit rating adjustment has not had any impact on the liquidity position.

Operational Risk

Achmea Hypotheekbank undertakes various activities to control its operational risks. Self-assessments were once again conducted in the financial year in order to increase awareness of operational risks in the organisation and to identify existing operational risks. The Loss Database is another important aid in raising awareness of the nature of the losses generated by operational risks. The database also supports the initiation of appropriate control measures.

IT policies have been formulated to control the ICT risk. ICT risks are assessed by the security officer, resulting in and forming part of the overall risk analysis.

Integrity and Reputation Risk

Integrity in the conduct of our business combined with preservation of the Bank's good reputation with customers, shareholders and distribution partners is vital. The Compliance department is responsible for maintaining integrity at the Bank and supervises compliance with the laws and regulations, the handling and control of incidents, and promotion of awareness of the importance of the regulations and of monitoring the integrity of the Bank's employees.

The principal event in regard to external regulations is the introduction of the Financial Services Act (Wet Financiële Dienstverlening / Wfd) (2006) and the Financial Supervision Act (Wet Financieel Toezicht / Wft) (beginning of 2007). In 2006 the implementation of this new legislation was addressed.

Mortgages with a unit-linked insurance element are a point of concern and a potential risk. These products attracted media attention in 2006. The Netherlands Authority for the Financial Markets (AFM) also received a number of complaints that unit-linked insurance products failed to achieve the planned target capital. The AFM launched an investigation to examine the extent to which, following entry into force of the Wfd, the information supplied give potential customers a realistic idea of the nature and characteristics of the unit-linked insurance product.

Basel II

The new Basel II regulations have been a catalyst for the continued professionalisation of risk management. In 2006, in regard to credit risk, statistical models were developed for PD (probability of default), LGD (loss given default) and EAD (exposure at default), using the IRB (Internal Ratings Based) method. Scenario analysis and stress tests are also conducted periodically to assess the mortgage portfolio credit risk.

During 2006 it was decided to opt initially for the standardised method of assessing credit risk, followed by the IRB method at a later stage. In the case of operational risk, in view of the Bank's risk profile, it was decided to apply the 'Basic Indicator Approach'. In 2006, the Bank conducted a 'parallel run', submitting its solvency requirement report to De Nederlandsche Bank in accordance with Basel II. In 2007 the main focus of the Basel II project will therefore shift to the second pillar of Basel II, and in particular the ICAAP, 'Internal Capital Adequacy Assessment Process'. From 2008 onwards, the Bank will report in accordance with Basel II.

Information Technology


As of 1 January 2006, the generic ICT functions at Achmea Hypotheekbank, such as workstation and telephony management, were integrated within Achmea Group IT Services, the centralised Achmea ICT business. New procedures aimed at assuring the continued efficiency in the ICT column were introduced during a transition period.

Human Resources and Organisation

The average number of FTEs under contract at Achmea Hypotheekbank in 2006 was 163 (2005: 215 FTEs). The decline in the number of FTEs relative to 2005 is caused by the transfer of a number of corporate staff departments (total 43 FTEs) from Achmea Hypotheekbank to Achmea Bank Holding. Personnel costs of corporate staff in the Treasury and Risk Management departments of Staalbankiers N.V. are charged to Achmea Hypotheekbank. All employees are employed by Achmea Personeel B.V. In 2006, FTEs are based on 38 hours.

In 2006 the integration of Interpolis into the Achmea organisation was completed. As a result, the Interpolis mortgage portfolio was transferred to Achmea Hypotheekbank, together with the employees of Interpolis Hypotheken.

In 2006 the organisational structure of Achmea Bank was finalised. All corporate staff departments have been set up and management posts have been filled. The development strategy aimed at the Achmea Bank culture received close attention. In 2006, both mid-office and back-office teams were reorganised, in order to safeguard the new Woonfonds customer strategy. That strategy is aimed at offering customers flexible solutions that are in keeping with changes in their personal situation, in addition to offering them a wide range of mortgage types.



A health management plan was also drawn up, and an active effort was made to cut the percentage of absenteeism, which declined from 4.6% tot 4.2% in 2006.

In the light of the Financial Services Act (Wfd), a survey was conducted in 2006 to ascertain which functions must be Wfd compliant. The skills required for those functions have been defined, and it has been agreed with staff that the requirements will be met before 1 October 2007. An induction course was also set up. New employees are not authorised to perform their duties until they have the necessary skills.

Corporate Social Responsibility

Achmea Hypotheekbank is committed to ethical business. Within the organisation, that is reflected, for example, in the high standard of care for its customers and the corresponding integrity of its employees. Both aspects are implicit in the signing of a number of Codes of Conduct. In addition, attention is increasingly drawn to the interrelated topics: 'people, planet, profit'.

Staff Council

The Staff Council of Achmea Bank Holding, which comprises Achmea Hypotheekbank, met twelve times in the year under review. These meetings dealt with various requests for a formal opinion, discussed the Bank's development and dealt with subjects concerning staff.

The Executive Board owes a lot of gratitude to the employees for their work and commitment in 2006.

Financial Analysis

Achmea Hypotheekbank Key Figures

In millions of euros	2006	2005	Change
Results			
Interest income and changes in fair value of interest sensitive financial instruments	648	668	-3%
Interest expenses	594	584	2%
Interest margin and changes in fair value of interest sensitive financial instruments	54	84	-37%
Net commission and management fees	-2	-4	-50%
Total income	52	80	-36%
Impairment on financial instruments and other assets	1	2	-50%
Operating expenses	44	38	16%
Total expenses	45	40	13%
Operating result before tax	6	40	-85%
Taxes on operating result	4	13	-69%
Net profit	2	27	-93%
As %			
Ratios			
Return on average equity	0.8%	10.6%	-93%
Efficiency ratio	86.3%	47.5%	82%

The operating result before tax was down from EUR 40 million to EUR 6 million (-85%). While total income declined, total expenses increased. Achmea Hypotheekbank recorded a net profit of EUR 2 million in 2006, 93% lower than in 2005.

Interest income included EUR 7.5 million relating to the change in the fair value of the mortgage portfolio, derivatives and other financial instruments. This comprised an expense of EUR 3 million due to the ineffectiveness of the hedging, and income of EUR 10.5 million from the change in the value of the derivatives portfolio. Interest expenses included an amount of EUR 16.7 million due to the amortisation of the first-time adoption adjustment and the amortisation of fair value hedge accounting.

In contrast to previous years, from this financial year onwards the commission which Achmea Hypotheekbank pays to Centraal Beheer Achmea and Avéro Achmea, in so far as it concerns sales-related commission on new mortgage business with a duration of more than 1 year, is amortised over the estimated residual term of the mortgage in question. This caused commission expenses to be EUR 2.0 million lower in 2006.

Operating expenses increased as a result of investment in ICT projects and the optimising of the business processes.

The high tax rate of 67% is caused by EUR 1.4 million additional recharging within Achmea concerning previous years. In addition, the lower tax rate has also caused the net deferred tax asset to decline, resulting in an additional tax expense of EUR 1.0 million.

These developments in expenses and income resulted in an increased efficiency ratio of 86.3% (at the end of 2005: 47.5%). The return on the shareholder's equity of Achmea Hypotheekbank declined from 10.6% to 0.8%, due to the fall in profit.

Outlook for 2007

In 2007, the Executive Board expects the growth of the mortgage market to remain modest, partly because of the contraction of the mortgage refinancing market, so that competition will become tougher still. This means that margins will continue to be squeezed in 2007. The flattening of the yield curve had an adverse effect on the Bank's results in 2006. It is difficult to predict how money and capital market interest rates will move in 2007. In view of the uncertain outlook, the Executive Board will refrain from making any specific predictions for the Bank's profitability in 2007.

's-Hertogenbosch, 15 March 2007

The Executive Board





FINANCIAL STATEMENTS 2006
ACHMEA HYPOTHEEKBANK N.V.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December

In thousands of euros		2006	2005
	Note		
Interest income and changes in fair value of interest sensitive financial instruments	6	648,081	668,489
Interest expenses	6	594,254	584,802
Interest margin and changes in fair value of interest sensitive financial instruments	6	53,827	83,687
Fees and commissions	7	2,192	4,195
Fee and commission income		2,192	4,195
Impairment on financial instruments and other assets	15	1,205	1,583
Operating expenses	8	43,990	37,552
Operating profit before tax		6,440	40,357
Taxes on operating profit	10	4,287	13,173
Net profit		2,153	27,184

CONSOLIDATED BALANCE SHEET

For the year ended 31 December

In thousands of euros		2006	2005
Assets	Note		
Cash	11	27,576	19,373
Banks	12	386,189	609,887
Derivative financial instruments	13	246,508	340,888
Public sector loans and advances	14	37,500	-
Private sector loans and advances	15	13,632,325	12,705,351
Interest-bearing securities	16	77,174	83,133
Equipment	17	177	751
Deferred tax assets	24	8,461	7,954
Prepayments and other receivables	18	77,345	38,755
Total assets		14,493,255	13,806,092
Liabilities			
Banks	19	846,264	1,062,884
Derivative financial instruments	13	312,518	608,247
Funds entrusted	20	3,508,414	3,289,967
Debt securities	21	9,196,838	8,178,158
Tax liabilities	25	11,160	44,060
Deferred tax liabilities	24	2,523	908
Accruals and other liabilities	23	187,616	163,171
Subordinated liabilities	22	164,280	194,990
Shareholders' equity	27	263,642	263,707
Total liabilities		14,493,255	13,806,092

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

In thousands of euros	Share capital	Share premium	Revaluation reserve	Retained earnings	Other reserves	Total equity
As at 1 January 2006	18,152	164,206	873	27,184	53,292	263,707
Retained earnings				2,153		2,153
Distribution of profit 2005				-27,184	27,184	-
Net unrealised result on 'available for sale' financial instruments			-1,593			-1,593
Other movements					-625	-625
As at 31 December 2006	18,152	164,206	-720	2,153	79,851	263,642

As at 1 January 2005	18,152	164,206	-	17,044	47,484	246,886
First-time adoption 01-01-2005 IAS 32/39			1,950		-11,236	-9,286
Retained earnings				27,184		27,184
Distribution of profit 2004				-17,044	17,044	-
Net unrealised result on 'available for sale' financial instruments			-1,077			-1,077
As at 31 December 2005	18,152	164,206	873	27,184	53,292	263,707

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December

In thousands of euros	2006	2005
Net profit	2,153	27,184
Adjustments for:		
Depreciation	226	662
Impairment on financial instruments and other assets	1,205	1,583
Derivative financial instruments	-201,349	267,359
Changes in general reserve	-625	-11,237
Changes in revaluation reserve	-1,593	873
Cash flow from business activities (1)	-199,983	286,424
Trading portfolio interest-bearing securities	5,193	-2,743
Banks (assets)	223,698	-346,246
Public sector loans and advances	-37,500	-
Loans and advances (exc. allowance for losses on loans and advances)	-3,133	-153,358
Prepayments and other receivables	-37,824	277,187
Tax assets	1,108	-3,914
Banks (liabilities)	-216,620	30,629
Funds entrusted	218,447	114,923
Tax liabilities	-32,900	11,784
Accruals and other liabilities	24,802	-294,247
Net cash flow from operating activities (2)	145,271	-365,985
Investments in property and equipment	-	-220
Disposals of property and equipment	348	-
Purchase of mortgage portfolio	-925,403	-131,887
Net cash flow from investment activities (3)	-925,055	-132,107
Debt securities	1,018,680	219,514
Subordinated liabilities	-30,710	-46
Net cash flow from financing activities (4)	987,970	219,468
Net cash flow (1) + (2) + (3) + (4)	8,203	7,800
Cash as at 1 January	19,373	11,573
Cash as at 31 December	27,576	19,373
Movements in cash	8,203	7,800

The cash flow statement is prepared in accordance with the indirect method, in which a distinction is made between cash flows from business, operating, investment and financing activities. Cash flows in foreign currencies are converted at the current exchange rate. For cash flows from business activities, the net profit has been corrected for income and expenses that have not resulted in receipts and payments in the same financial year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

Achmea Hypotheekbank N.V. (Achmea Hypotheekbank) is established in 's-Hertogenbosch. The address of its registered office is The Hague. The consolidated financial statements of Achmea Hypotheekbank for 2006 comprise the financial statements of all group companies that Achmea Hypotheekbank has a controlling interest in.

Achmea Hypotheekbank is a fully-owned subsidiary of Achmea Bank Holding N.V. Achmea Hypotheekbank is part of Eureka B.V.

The financial statements were adopted by the Executive Board on 15 March 2007.

2. Summary of significant accounting policies

The accounting policies set out below are uniformly applied in all periods covered in these consolidated financial statements. The principles of accounting policies are uniformly applied by all group entities.

The reporting currency in the financial statements of Achmea Hypotheekbank is the euro (EUR). All statements are in thousands of euros, unless stated otherwise.

The assets and liabilities on the balance sheet are structured according to a method in which the liquidity of the individual balance sheet items is decisive.

2.1 Application of International Financial Reporting Standards (IFRS)

On 1 January 2005 Achmea Hypotheekbank N.V. adopted the International Financial Reporting Standards (IFRS) as approved by the European Union. The annual report 2006, including the comparative figures for 2005, has therefore been prepared in accordance with IFRS, including the International Accounting Standards (IAS) and interpretations effective as at 31 December 2006 that were approved by the European Commission [EU].

In a number of cases the current presentation is different from that in the previous financial year. Where this is the case, the comparative figures have been adjusted. These adjustments do not affect the Shareholders' Equity and the Net Profit.

A number of new IFRS standards, adjustments to existing IFRS standards and interpretations, have not yet been published nor has the IASB required their application in 2006 or in previous years, and have not been applied for the year ended on 31 December 2006:

- **IFRS 7: Financial instruments: Disclosure requirements**

IFRS 7 introduces disclosure requirements for financial instruments in the financial statements and specifies additional disclosure requirements and guidelines for risk management within Achmea Hypotheekbank. IFRS 7 does not affect the entity's capital or results and replaces the disclosure requirements set out in IAS 30 and IAS 32. IFRS 7 is effective from 1 January 2007;

- **IFRS 8: Operating segments**

IFRS 8 requires an entity to adopt the management approach in providing segment information. IFRS 8 does not affect the entity's capital or results and replaces IAS 14. IFRS 8 is effective from 1 January 2009. As at the balance sheet date, IFRS 8 had not yet been ratified by the EU.

- **IFRIC 10: Interim Financial Reporting and Impairment**

Impairment of goodwill (IAS 36), of an equity instrument available for sale (IAS 39) or of equity instruments valued at cost without market listing (IAS 39) recognised in the interim figures may not be reversed in the subsequent interim figures and financial statements. IFRIC 10 is mandatory for the consolidated financial statements 2007. This interpretation will not affect Achmea Hypotheekbank since Achmea Hypotheekbank already applies this interpretation directive in its estimation and recognition of impairment reversal. The interpretation directive has not yet been ratified by the EU, however.

- **IFRIC 11; IFRS: 2 Operating segments**

This interpretation directive covers two situations. The first situation being whether specified transactions should be recognised as equity-settled transactions or as cash-settled transactions in conformity with the requirements under IFRS 2. The second situation refers to payments in or based on equities, involving two or more entities within the same group. This interpretation directive is compulsory for the consolidated financial statements 2008. Achmea Hypotheekbank foresees that this interpretation directive will have no impact on the consolidated financial statements. The interpretation directive has not yet been ratified by the EU, however.

2.2 Consolidation principles

Companies in which Achmea Hypotheekbank has a controlling interest are fully consolidated. Controlling interest means that the Company has the direct or indirect power to govern an entity's financial and operational policies in order to obtain benefits from that entity's activities. In assessing control potential voting rights that presently are exercisable or convertible are taken into account.

The consolidated financial statements of Achmea Hypotheekbank contain the financial statements of the group companies DMPL I B.V., DMPL II B.V., DMPL III B.V., DPML IV B.V., DMPL V B.V. and SGML I B.V., all of which have their registered office in Amsterdam.

These companies are termed 'special purpose vehicles' (SPVs), established by Achmea Hypotheekbank to securitise mortgage loans. Achmea Hypotheekbank manages and administers the portfolios of DMPL I, II, III, IV, V and SGML I, bearing most of the economic risks of these portfolios. All shares of the SPVs are held by Stichting DMPL I Holding, Stichting DMPL II Holding, Stichting DMPL III Holding, Stichting DMPL IV Holding, Stichting DMPL V Holding and Stichting SGML I Holding respectively, all of which have their registered office in Amsterdam.

The mortgage loans that are temporarily transferred to Achmea Pensioen- en Levensverzekeringen N.V. are included in full in the consolidation. The main reason is that Achmea Hypotheekbank has only temporarily transferred the credit risk. The interest risk and the operational risk continue to be fully borne by Achmea Hypotheekbank at a consolidated level.

Elimination of intra-group transactions and balances

Intra-group balances and any unrealised profits and losses on transactions in the group, or income and expenses from such transactions, are eliminated in preparing the consolidated financial statements.

Related parties

Insofar as the activities and transactions relate to group companies, these are specifically disclosed in the notes.

2.3 Segment reporting

Segment information is provided on Achmea Hypotheekbank's business segments, which are the primary format for reporting and are based on Achmea Hypotheekbank's management and internal reporting structure. In the segmentation, a distinction is made between the sales channels ('direct writers' and 'intermediaries').

The results, assets and liabilities of a segment concern the items directly attributable to a segment. The unallocated items mainly comprise corporate assets and costs, and other liabilities.

2.4 Recognition and derecognition on the balance sheet

An asset is recognised on the balance sheet if it is probable that future economic benefits of the asset will accrue to Achmea Hypotheekbank and the value of the asset can be reliably measured. Liabilities are recognised on the balance sheet if it is probable that these liabilities will result in an outflow of resources whose value can be reliably measured.

A financial asset is derecognised on the balance sheet if Achmea Hypotheekbank no longer holds the contractual rights represented by the asset. A financial liability is derecognised on the balance sheet when it ceases to exist.

Financial assets that are sold are no longer recognised and receivables from the buyer arising from sale are recognised from the moment Achmea Hypotheekbank commits to sell the assets

2.5 Use of estimates and assumptions

The preparation of the financial statements in accordance with IFRS requires management judgements. Management makes estimates and assumptions that have an impact on the application of the policies and the reported amounts of assets and liabilities, income and expenses. These estimates and assumptions are based on historical data and various other factors that are considered to be reasonable in the circumstances. The results of this process constitute the basis for the opinion on the carrying amount of assets and liabilities insofar as the carrying amount cannot be derived from other sources. The actual results may differ from these estimates.

The estimates and underlying assumptions are continually evaluated. The impacts of the revision of estimates are recognised in the period in which the revision occurs. If the revision also has an impact on future financial years, the impact is also disclosed in future financial years.

Assumptions of management in the application of IFRS with a significant impact on the financial results of the current and future financial year are disclosed.

2.6 Offsetting of financial instruments

Financial assets and liabilities are offset and recorded at the net amount in the balance sheet when Achmea Hypotheekbank:

- has a legally enforceable right to set off the asset and the liability, and
- has the firm intention of settling the net balance or to realise the asset and settle the liability simultaneously.

2.7 Foreign currency

Assets and liabilities in foreign currencies are converted into euros at the exchange rate on the balance sheet date. The resulting exchange gains/losses are taken to the income statement. The exception to this general rule is equity instruments classified as 'available for sale'. The unrealised results are taken to group equity. Income and expenses resulting from transactions in a foreign currency are converted at the exchange rate on the transaction date.

2.8 Financial assets

Achmea Hypotheekbank has classified its financial fixed assets in the following categories: 'loans and receivables', 'financial assets at fair value through profit and loss' and 'financial assets available for sale'.

(a) Loans and receivables

Loans and receivables are financial instruments that are not derivative financial instruments with fixed or determinable payments and that are not listed on an active market. These financial instruments are generated when Achmea Hypotheekbank provides money or services directly to a debtor without the intention of trading this financial instrument. 'Private sector loans and advances' as covered by this item at Achmea Hypotheekbank comprise only loans granted in exchange for mortgage collateral. These loans and advances are measured at amortised cost based on the effective-interest method.

(b) Financial fixed assets at fair value through profit and loss

This category has two sub-categories: 'financial assets held for trading' and financial assets at initial designation allocated by management as 'valued at fair value through profit and loss'. A financial asset is classified in the first category if it is primarily acquired with the intention of selling it in the short term, and in the second category when the financial asset is at initial designation allocated as such by management. Derivative financial instruments are classified as held for trading unless they are designated as hedges. Derivative financial instruments with a negative value are classified as financial liabilities and are presented on the balance sheet separately.

(c) 'Available for sale'

Financial fixed assets classified as 'Available for sale' are investments acquired for an indefinite period of time that are sold due to liquidity needs, or changes in interest rates, exchange rates or share prices.

Purchases and sales of 'financial assets at fair value through profit and loss' (b) and financial assets classified as 'available for sale' (c) are recognised on the transaction date, i.e. the date on which Achmea Hypotheekbank commits to purchase or sell the asset. Loans and advances are recognised when liquid assets are provided to the borrowers.

After initial recognition financial assets classified as 'available for sale' (c) and 'financial assets at fair value through profit and loss' (b) are carried at fair value. Gains and losses on 'financial assets at fair value through profit and loss' are recognised in the income statement in the period in which they arise. Gains and losses on the assets 'available for sale' are directly recognised in equity, until the financial asset is derecognised or this asset has been the subject of an impairment. At that time, the cumulative gain or loss is transferred from the shareholders' equity to the income statement. The interest calculated using the effective-interest method is directly recognised in the income statement. Dividend on equity instruments available for sale is recognised in the income statement when the entity has acquired the right to receive payment.

The fair value of instruments listed on an active market is based on the current bid prices. In the absence of a market for a financial asset (or if the securities are not listed), Achmea Hypotheekbank determines the fair value using a valuation technique which is commonly used by the industry. These include recent arm's length market transactions between knowledgeable, willing parties; reference to the current fair value of another instrument that is substantially the same; discounted cash flow methods; option valuation methods; and other valuation techniques commonly used by market parties.

Financial assets are no longer recognised on the balance sheet when the right to receiving the cash flows from the financial assets has lapsed or when Achmea Hypotheekbank has transferred the risks and benefits as the rights holder.

2.9 Impairment of financial assets

General

Achmea Hypotheekbank distinguishes between specific provisions and 'incurred but not reported' (IBNR) provisions.

Under IFRS, recognition of an impairment is necessary if it is improbable that Achmea Hypotheekbank will be able to collect the principal sum and the interest in accordance with the loan agreement. The impairment is established for each specific item for loans that are individually significant. This is indicated as the specific provision.

Specific provision

Achmea Hypotheekbank conducts regular assessments to establish whether there is any objective evidence of impairment of a financial asset or a group of financial assets. A financial asset is subject to impairment and recognised as such only when there are objective arguments for impairment.

This is the case when:

- a loss event has occurred after initial recognition of the asset;
- this loss event has consequences for the estimated future cash flows of the financial asset;
- these cash flows can be reliably estimated.

If there is objective evidence that financial assets measured at amortised cost have been the subject of impairment, the loss is measured as the difference between the carrying amount of the financial assets and the present value of the estimated future cash flows (excluding future loan losses that are not incurred), discounted at the original effective interest rate of the financial asset. If the asset has a variable interest rate, the discount rate used to measure an impairment is the effective interest rate laid down in the contract. The impairment is recognised on the income statement.

Recovery ratio

On the basis of historical data (from 2003), the calculation of the provision for doubtful debts has been modified slightly compared to previous years, so that the size of the provision better reflects the potential loss on the total receivable. In 2006, in contrast to 2005, account was taken of the fact that items assigned to default management owing to arrears of payments are ultimately settled, either in full or in part.

'Incurred but not reported' provision

Losses due to events that occurred before the balance sheet date but have yet to emerge must also be taken into account under IFRS. These are events that result in a loss and that occurred before the balance sheet date, but have yet to be reported. This is indicated by an IBNR provision.

The generic impairment is measured by virtue of IBNR based on the average inflow in the Default Management portfolio set off against empirical figures. Historic loss data are adjusted on the basis of current observable data in order to take account of the impact of current conditions that did not apply in the period on which the historical loss data are based, and to eliminate the impact of the conditions in the historic period that do not currently exist.

Administrative processing of uncollectable loans and advances

If a loan proves to be wholly or partly uncollectable, it is written off from the corresponding allowance for impairment losses. Amounts that are subsequently collected are taken to the income statement. If the amount of the impairment subsequently decreases following an event after write-off, the release of the allowance is credited to the income statement.

2.10 Derivative financial instruments and hedge accounting (delta fair value hedge accounting)

Derivative financial instruments are financial instruments whose value depends on one or more underlying assets, reference prices or indices. Derivative financial instruments are agreements to exchange future cash flows, in which the timing and size may depend on the development of market prices of specified underlying assets, reference prices or indices. Examples of derivative financial instruments are forward exchange contracts, options, interest rate swaps, futures and forward rate agreements. Achmea Hypotheekbank concludes transactions in derivative financial instruments to cover its own interest rate and currency risks.

Initial recognition, at fair value, of derivative financial instruments occurs on the date Achmea Hypotheekbank becomes a party to the derivative financial instruments contract. The fair values are derived from market prices listed on active markets, including recent market transactions, or, where applicable, determined using valuation methods, including present value models. Derivative financial instruments are carried as financial assets when their fair value is positive and as financial liabilities when their fair value is negative.

At initial recognition of derivative financial instruments, the transaction price is the best indicator of the fair value, unless the fair value of that instrument is underpinned by other data of observable current market transactions in the same instrument or based on a valuation method exclusively using observable markets.

Achmea Hypotheekbank has designated the majority of its derivative financial instruments as hedges of the fair value of (parts of) the mortgage portfolio as far as concerning the interest rate risk herein. At the initiation of the transaction, Achmea Hypotheekbank documents the relationship between the hedging instruments and hedged items or positions, as well as the risk management objective and strategy for the application of delta fair value hedge accounting. At the same time, at initiation and for the duration of the hedging relationship, Achmea Hypotheekbank formally documents whether the derivative financial instruments used in the hedge transactions are effective in offsetting changes in the fair value of hedged items. A hedge accounting relationship is effective when prospectively the effectiveness is between 95% and 105%; and retrospectively between 80% and 125%. Effectiveness is measured by dividing the change in fair value of the hedging instruments (parts used in the hedge relationship) by the change in fair value of the hedged item (based on the risk being hedged).

(A) Achmea Hypotheekbank regularly measures the change in fair value of the hedged part of the portfolio of mortgage loans that is attributable to the hedged risk, based on the expected interest re-pricing date. Under the condition that Achmea Hypotheekbank determines that the hedge has been effective with the method it uses to determine the effectiveness, Achmea Hypotheekbank recognises the change in fair value of the hedged part of the mortgage loan portfolio as a gain or loss in the income statement and in the balance sheet line 'Private sector loans and advances'.

(B) Achmea Hypotheekbank measures the change in the fair value of the derivative financial instruments and recognises them as a gain or loss in the income statement. The fair value of the derivative financial instruments is recognised on the balance sheet as a financial asset or a financial liability. If there is ineffectiveness, this is expressed in the income statement as the difference between the change in the fair value of the hedged position and the change in the fair value of the hedging instrument.

In brief, the impact stated in (A) and (B) is indicated by the term 'delta fair value hedge accounting'. The changes in the fair value of the derivative financial instruments (hedging instruments) are compensated by the changes in the fair value with respect to the interest risk of the parts of the mortgage portfolio allocated to the derivative financial instruments.

According to this hedge policy, Achmea Hypotheekbank terminates the hedging relationships at the end of every month and then defines the new hedging relationships for hedge accounting purposes for the following month. For the terminated hedging relationships, Achmea Hypotheekbank starts with the amortisation to the income statement of the applicable part of 'Private sector loans and advances'.

This asset is amortised in accordance with the effective-interest method over the remaining term of the financial instruments which were subject to the hedge accounting relationship.

In 2006 the amortisation method was modified, switching from the straight-line method to the effective-interest method for the purpose of determining the amortisation cost. This method offers better matching between the fair value changes to derivative financial instruments and the amortisation of the fair value adjustments to the mortgage portfolio, since the revaluation of the derivative positions is already reported on the basis of the effective interest rate. The effect in 2006 was recognised as an accounting estimate change as at 1 January 2006, in accordance with IFRS 8.

2.11 Cash and balances with banks

Cash comprises bank and cash balances, and call deposits. Current account overdrafts that are immediately payable and that constitute an integral part of the cash management of Achmea Hypotheekbank are part of cash in the statement of cash flows.

2.12 Equipment

Equipment is valued at cost price, less accumulated depreciation and impairment. Other expenses in connection with equipment are capitalised only if they lead to future benefits. All other expenses are recognised as an expense in the income statement as they are incurred.

The depreciation method and useful life of equipment is regularly assessed and changed when the circumstances or expectations substantially change. Depreciation is established according to the straight-line method and taken to the income statement for the duration of the estimated useful life of the equipment. The estimated useful life is:

- 3–6 years for property excluding equipment;
- 5–10 years for equipment.

2.13 Interest-bearing loans

Interest-bearing loans are recognised under 'Banks', 'Funds entrusted' and 'Debt securities', and are initially measured at fair value less attributable transaction costs. After initial recognition, interest-bearing loans are measured at amortised cost, with the difference between cost and redemption value being recognised in the income statement in accordance with the effective-interest method for the term of the loans.

2.14 Staff remunerations

All employees at Achmea Hypotheekbank are formally employed by Achmea Personeel B.V., an operating company of Achmea Holding N.V. The personnel expenses related to the Company's activities and other operating expenses are charged on to the operating companies of Achmea Holding N.V.

As a consequence, the pension liabilities, as part of the personnel expenses, are also placed with Achmea Personeel B.V. (based on indexed average earnings). Achmea Personeel B.V. has insured this liability with Achmea Pensioen- en Levensverzekeringen N.V. Allocation of related pension expenses to parts of the Achmea Group is based on the pensionable salary of the active employees.

The pension liabilities are calculated by Achmea Personeel B.V. on the basis of the projected unit credit method. In accordance with this method the allocated pension rights per year of service are considered and measured as separate elements (years) of the ultimate liability by virtue of the pension pledges. Allocation to the individual financial years is based on the pension rights allocated or to be allocated per year of service. The provision is determined on the basis of the number of active years of service until the balance sheet date, the estimated salary level at the moment of the expected retirement date and the market interest on the high-quality bonds issued by the companies. These liabilities are less any plan assets related to the scheme.

An average of 163 FTEs (2005: 215 FTEs) were employed by Achmea Hypotheekbank during 2006. The number of FTEs includes employees on temporary contracts.

2.15 Taxes

The tax on profit or loss comprises current and deferred tax. Income tax is recognised in the income statement, although tax on direct equity adjustments is recognised in shareholders' equity.

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

Deferred tax is recognised to allow for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax is based on the expected manner of future realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. The most important temporary differences at Achmea Hypotheekbank between valuation for financial reporting and taxation purposes comprise: Fair value and/or amortised expenses valuation on 'Derivative financial instruments', 'Private sector loans and advances, Interest-bearing loans, Debt securities and Funds entrusted.

2.16 Interest income and expenses

Interest income and interest expenses are recognised in the income statement for all instruments measured at amortised cost, using the effective-interest method.

Achmea Hypotheekbank uses the effective-interest method in order to calculate the amortised cost of a financial instrument and to allocate interest income and expenses to the relevant period. The effective interest rate is exactly that discount rate used for discounting the estimated future income and expenses during the expected term of the financial instrument, or, where applicable, a shorter period, to reflect the carrying amount of the financial asset or the financial liability. As part of the calculation Achmea Hypotheekbank estimates cash flows, considering all contractual terms of the financial instrument (e.g. early repayment options), but not future loan losses. In calculating the amortised cost, due consideration is given to all paid or received fees and conditions between contract parties that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts.

The amortisation of the change in the fair value of the fair value hedge is also presented as part of the interest income and expense.

2.17 Fee and commission expenses

The commission which Achmea Hypotheekbank pays to Centraal Beheer Achmea and Avéro Achmea, in so far as it concerns sales-related commission on new mortgage business with a duration of more than 1 year, is capitalised and amortised over the estimated residual term of the mortgages in question.

3. Financial risk management

Achmea Hypotheekbank manages credit, interest, liquidity and foreign currency risks as part of its normal operation of business. Derivative financial instruments are primarily used to hedge exposure to fluctuations in interest and exchange rates.

3.1 Strategy for the use of financial instruments

The nature of Achmea Hypotheekbank's activities is such that financial instruments, including derivative financial instruments, are commonly used. Achmea Hypotheekbank's primary objective is to realise an interest margin through its mortgage lending activities. Given that Achmea Hypotheekbank rarely, if ever, acts for its own account on the financial markets, Achmea Hypotheekbank's market risk mainly consists of interest risk from banking activities. Foreign currency and price risks are minor due to the hedging of positions. The Treasury department is responsible for the daily management of interest, liquidity and currency risks. The positions held are subject to limits and are monitored by the Risk Management department. The interest and liquidity risks are assessed regularly in the Asset and Liability Committee (ALCO) of the Bank.

Fair Value Hedge

Achmea Hypotheekbank hedges the interest rate risk from the mortgage lending activities with interest derivative financial instruments. The net replacement value of these derivative financial instruments was a negative EUR 64 million as at 31 December 2006 (2005: EUR 272 million negative).

3.2 Credit risk

Mortgage loans

The credit risk of Achmea Hypotheekbank is managed by applying strict credit assessment criteria set by the Executive Board. Loans and advances beyond a set limit are dealt with by the Credit Analysis department. Any non-standard conditions imposed on borrowers also require the approval of the Credit Analysis department. Procedures have been laid down for monitoring interest and repayment arrears. If a borrower is in arrears of payment for longer than three months, the file will be handed over to the Default Management department, which will continue the debt collection procedures.

Derivate financial instruments

Achmea Hypotheekbank makes use of stringent limits for net unhedged derivative financial instrument positions, in terms of both size and term. The credit risk exposure is managed by counterparty limits approved by the Executive Board.

For more details on the credit management policy with respect to credit risk of Achmea Hypotheekbank, see the relevant section in the report of the Executive Board.

3.3 Cash flow interest rate risk and fair value interest rate risk

The cash flow interest rate risk is the risk that the future cash flows of the financial instrument will fluctuate as a consequence of changes in market interest rates. The fair value interest rate risk is the risk that the value of a financial instrument will fluctuate as a consequence of changes in market interest rates. Fluctuations in market interest rates produce both fair value and cash flow risks for Achmea Hypotheekbank. Such fluctuations can result in a mismatch. The Executive Board establishes mismatch limits in regard to the level of the duration mismatch. This mismatch is monitored daily. Interest derivative financial instruments are used to control the matching of financial assets and financial liabilities.

The interest rate risks of Achmea Hypotheekbank are summarised below. The table summarises all future cash flows (notional amounts and interest) arising from components of the assets and liabilities of Achmea Hypotheekbank, classified according to contractual repricing date.

Interest rate risk as at 31 December 2006

In thousands of euros	Average effective interest percentage	Variable interest rate	< 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	> 5 years	Total
Assets									
Banks and Private sector loans and advances	4.89%	2,729,179	1,753,483	1,894,106	1,754,187	1,325,491	1,458,251	5,714,492	16,629,189
Interest-bearing securities	4.08%	2,086	26,921	36,745	520	520	520	18,080	85,392
Total assets	4.89%	2,731,265	1,780,404	1,930,851	1,754,707	1,326,011	1,458,771	5,732,572	16,714,581
Liabilities									
Banks and Funds entrusted	4.47%	2,463,935	410,206	837,952	145,048	67,614	35,187	635,702	4,595,644
Debt securities	4.06%	5,367,109	577,943	313,487	359,729	816,185	134,063	1,752,856	9,321,372
Subordinated liabilities and other debt securities	4.06%	233,456	151,730	6,174	21,016	11,604	11,243	88,093	523,316
Total liabilities	4.19%	8,064,500	1,139,879	1,157,613	525,793	895,403	180,493	2,476,651	14,440,332
Interest rate risk (assets-liabilities)		-5,333,235	640,525	773,238	1,228,914	430,608	1,278,278	3,255,921	2,274,249
Interest contracts		3,268,148	1,945,616	-820,043	-1,292,685	-400,416	-1,003,441	-3,199,167	-1,501,988
Foreign currency forwards		-67,714	-42,660	-	-	-	-	-	-110,374
Interest options		-80,498	-17,112	11,795	5,922	7,551	3,498	112,068	43,224
Interest rate risk		-2,213,299	2,526,369	-35,010	-57,849	37,743	278,335	168,822	705,111

Interest rate risk as at 31 December 2005

In thousands of euros	Average effective interest percentage	Variable interest rate	< 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	> 5 years	Total
Assets									
Banks and Private sector loans and advances	4.86%	3,217,909	1,974,580	1,521,871	1,579,748	1,510,184	1,054,457	4,901,893	15,760,642
Interest-bearing securities	5.42%	17,560	5,040	28,488	36,225	-	-	-	87,313
Total assets	4.86%	3,235,469	1,979,620	1,550,359	1,615,973	1,510,184	1,054,457	4,901,893	15,847,955
Liabilities									
Banks and Funds entrusted	4.22%	1,769,173	434,134	509,133	851,406	173,795	68,571	500,279	4,306,491
Debt securities	3.28%	4,886,882	681,643	514,683	312,964	358,690	810,146	1,864,516	9,429,524
Subordinated liabilities and other debt securities	4.10%	145,502	183,224	6,174	6,174	21,016	11,604	99,336	473,030
Total liabilities	3.59%	6,801,557	1,299,001	1,029,990	1,170,544	553,501	890,321	2,464,131	14,209,045
Interest rate risk (assets-liabilities)		-3,566,088	680,619	520,369	445,429	956,683	164,136	2,437,762	1,638,910
Interest contracts		2,651,400	1,425,538	-555,013	-558,851	-1,318,874	-207,030	-2,552,075	-1,114,905
Foreign currency forwards		-139,128	-27,795	-	-	-	-	-	-166,923
Interest options		118,026	33,324	-151	-10,954	-8,091	-10,893	-185,860	-64,599
Interest rate risk		-935,790	2,111,686	-34,795	-124,376	-370,282	-53,787	-300,173	292,483

Scenario analysis

In thousands of euros	Year-end 2006	Minus 1%	Effect on income statement
Interest-sensitive balance sheet items minus 1%			
Derivative financial instruments	-64,481	-354,200	-289,719
Mortgage portfolio hedged	5,685,347	5,958,902	273,555
Mortgage portfolio at fair value	584,739	605,577	20,838
			4,674
Year-end 2006			
Interest-sensitive balance sheet items plus 1%			
Derivative financial instruments	-64,481	198,605	263,086
Mortgage portfolio hedged	5,685,347	5,434,471	-250,876
Mortgage portfolio at fair value	584,739	565,386	-19,353
			-7,143

The scenario analysis shows the effect on the income statement in the event of a parallel change in the interest rate curve of 1 per cent (positive and negative) as at year-end 2006. 1% of interest decrease results in a profit of EUR 4,7 million, in contrary 1% interest increase results in a loss of EUR 7,1 million.

Foreign currency

Apart from transitional positions, the strategy of Achmea Hypotheekbank does not permit any exchange rate risk or any interest rate risk in foreign currency. However, Achmea Hypotheekbank does raise finance in foreign currency from time to time. This finance is converted to Euro through forward exchange contracts. The table below shows cash flows relating to this foreign currency finance and the non-Euro part of the cash flow relating to the associated forward exchange contract.

In thousands of euros

		2006		2005		
	Total exposure	Notional amounts of hedging instruments	Net exposure	Total exposure	Notional amounts of hedging instruments	Net exposure
Assets						
US Dollar		19,785	19,785		123,660	123,660
Pound Sterling		41,676	41,676		29,826	29,826
Other		72,983	72,983		45,924	45,924
		134,444	134,444		199,410	199,410
Liabilities						
US Dollar	19,490		19,490	122,381		122,381
Pound Sterling	41,030		41,030	29,616		29,616
Other	72,919		72,919	45,810		45,810
	133,439	-	133,439	197,807	-	197,807
Net						
US Dollar	19,490	19,785	-295	122,381	123,660	-1,279
Pound Sterling	41,030	41,676	-646	29,616	29,826	-210
Other	72,919	72,983	-64	45,810	45,924	-114
	133,439	134,444	-1,005	197,807	199,410	-1,603

The following exchange rates have been used:

	Closing rate		Average rate	
	2006	2005	2006	2005
US Dollar	1.3186	1.1829	1.2565	1.2668
Pound Sterling	0.6707	0.6857	0.6816	0.6975

3.4 Liquidity risk

Liquidity risk means the risk arising in connection with the funding of Achmea Hypotheekbank's banking activities and the management of positions. It includes both the risk that it may not be possible to finance assets on the basis of the right maturities and interest rates, and the risk that it may not be possible to liquidate assets at a reasonable price or within a reasonable period of time. The available cash resources of Achmea Hypotheekbank are used daily in connection with released funds, loans taken out by customers, interest payments, etc. Experience has shown that we can quite safely predict that a minimum amount of funds released will be reinvested. The Executive Board sets limits for the minimum released cash which must be present to meet such cash requirements, and for the minimum level of interbank and other loan facilities required to cope with an unexpectedly high level of withdrawals.

The table below analyses 'Private sector loans and advances' by contractual repricing date. Achmea Hypotheekbank's other assets and liabilities are classified according to term to maturity.

Net liquidity gap as at 31 December 2006

In thousands of euros	< 3 months	Between 3 months and 1 year	Between 1 year and 5 years	> 5 years	Total
Assets					
Banks and Private sector loans and advances	763,453	1,019,293	5,436,228	6,795,285	14,014,259
Interest-bearing securities	1,361	23,823	35,000	16,000	76,184
Total assets	764,814	1,043,116	5,471,228	6,811,285	14,090,443
Liabilities					
Banks	185,939	362,339	278,446	19,540	846,264
Funds entrusted	262,211	903,311	707,788	1,635,262	3,508,572
Debt securities	551,134	796,410	3,887,236	3,966,004	9,200,784
Subordinated liabilities			27,339	136,941	164,280
Total liabilities	999,284	2,062,060	4,900,809	5,757,747	13,719,900
Net liquidity gap	-234,470	-1,018,944	570,419	1,053,538	370,543

Net liquidity gap as at 31 December 2005

In thousands of euros	< 3 months	Between 3 months and 1 year	Between 1 year and 5 years	> 5 years	Total
Assets					
Banks and Private sector loans and advances	925,504	946,850	5,049,868	6,312,335	13,234,557
Interest-bearing securities	15,896	2,323	62,860	-	81,079
Total assets	941,400	949,173	5,112,728	6,312,335	13,315,636
Liabilities					
Banks	176,812	365,912	500,619	19,541	1,062,884
Funds entrusted	607,191	294,114	720,095	1,668,724	3,290,124
Debt securities	145,000	1,061,290	2,876,550	4,098,463	8,181,303
Subordinated liabilities		90,756	21,089	83,191	195,036
Total liabilities	929,003	1,812,072	4,118,353	5,869,919	12,729,347
Net liquidity gap	12,397	-862,899	994,375	442,416	586,289

Matching and controlled mismatching of the maturities and interest rates of assets and liabilities is a fundamental part of the management by Achmea Hypotheekbank. It is generally uncommon for banks to be completely matched, given that lendings and borrowings often differ in nature and term. An unmatched position can improve profitability, but also increases the probability of losses.

Achmea Hypotheekbank will always keep the ultimate mismatch within the limits set by the Executive Board. The maturities of assets and liabilities and the possibility of replacing interest-bearing liabilities at an acceptable expense as they mature are important factors in the assessment of the liquidity at Achmea Hypotheekbank and the interest rate and exchange rate risk which it is exposed to.

3.5 Fair value of financial assets and liabilities

The table below summarises the carrying amount and the fair value of the financial assets and financial liabilities. Bid prices or asking prices are used to estimate the fair value of financial assets and financial liabilities.

The fair value and the carrying amounts of the financial assets and financial liabilities are as follows:

Balance sheet at fair value

In thousands of euros	Carrying amount 2006	Fair value 2006	Carrying amount 2005	Fair value 2005
Financial assets				
Banks and Public sector loans and advances	423,689	423,803	609,887	609,982
Private sector loans and advances	13,632,326	13,667,970	12,705,351	12,993,065
	14,056,015	14,091,773	13,315,238	13,603,047
Financial liabilities				
Banks	846,264	861,630	1,062,884	1,092,039
Funds entrusted	3,508,414	3,577,365	3,289,967	3,466,224
Debt securities	9,196,837	9,321,543	8,178,158	8,372,691
Subordinated liabilities	164,280	168,102	194,990	211,399
	13,715,795	13,928,640	12,725,999	13,142,353

The approximate fair values which financial institutions present are not mutually comparable due to the use of differing valuation methods and assumptions. Owing to the lack of an objective valuation method the approximate fair value is highly subjective. Consequently, the balance of the presented fair value does not provide an indication of the underlying value of Achmea Hypotheekbank.

Notes to estimation of the fair values

Amounts due to banks

These receivables are payable on demand.

Private sector loans and advances

The fair value of 'Private sector loans and advances' is based on the present value of the future cash flows, discounted using the interest rate prevailing at that time for loans and advances with the same risk profile and the same remaining term.

Bank, Funds entrusted and Debt securities

The fair value of debts to 'Banks', 'Funds entrusted' and 'Debt securities' is based on the present value of the future cash flows, discounted using the interest rate prevailing at that time for instruments with the same risk profile and the same remaining term.

Subordinated liabilities

The fair value of 'Subordinated liabilities' is based on the present value of the future cash flows, discounted using the interest rate prevailing at that time for subordinated loans with the same risk profile and the same remaining term.

4. Critical estimates and judgements used in the application of the principles of financial reporting

Achmea Hypotheekbank uses estimates and assumptions that have an impact on the reported assets and liabilities in the current financial year. The estimates and assumptions are continually assessed and are based on historical data and other factors, including future events that are considered to be reasonable, given the circumstances.

Fair value determination

The fair value of financial instruments, not listed on an active market, is determined by using valuation technique models. These valuation techniques are validated and periodically reviewed by an independent expert. Wherever practical, the models are used only in combination with observable data. In such areas as credit risk, volatility and correlations however, management must make estimates.

Amortisation of fair value adjustments

In 2006 the amortisation method was modified, switching from the straight-line method to the effective-interest method. This method offers better matching between the fair value changes to derivative financial instruments and the amortisation of the fair value adjustments to the mortgage portfolio, since the revaluation of the derivative positions is already reported on the basis of the effective interest rate. The effect in 2006 was recognised as an accounting estimate change as at 1 January 2006, in accordance with IFRS 8.

Impairment on loans and advances

Achmea Hypotheekbank reviews its mortgage loan portfolio to assess impairment on a regular basis. In determining whether an impairment loss should be recognised in the income statement, management makes judgements as to whether there is any observable evidence indicating that there is a decrease in the estimated future cash flows of a portfolio of loans, before the decrease can be identified in respect of an individual loan in that portfolio.

Management uses estimates based on historical loss experience in the case of assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

5. Segment information

Segment information is provided on Achmea Hypotheekbank's business segments, based on Achmea Hypotheekbank's control and internal reporting structure. The activities of Achmea Hypotheekbank are fully concentrated in the Netherlands.

Achmea Hypotheekbank is organised into two main business segments:

- Direct writers: the sale of mortgages through the direct writing sales channel;
- Intermediaries: the sale of mortgages through intermediaries.

Revenues and expenses, assets and liabilities of a segment comprise items that can be allocated to the segment directly or on a reasonable basis. The unallocated items mainly comprise group assets and expenses. Rates are used between segments that are based on arm's length conditions. All segments can be classified as 'continued operations'.

Business segment reporting

In thousands of euros	Direct writers		Intermediaries		Total	
	2006	2005	2006	2005	2006	2005
Interest	14,610	25,142	39,217	58,544	53,827	83,686
Commission	-1,597	-3,604	-595	-590	-2,192	-4,194
Other	-9,941	-9,066	-35,254	-30,069	-45,195	-39,135
Segment profit	3,072	12,472	3,368	27,885	6,440	40,357
Operating profit before tax	3,072	12,472	3,368	27,885	6,440	40,357
taxes on operating profit					4,287	13,173
Net profit					2,153	27,184

In thousands of euros	Direct writers		Intermediaries		Total	
	2006	2005	2006	2005	2006	2005
Segment assets	3,700,241	3,740,000	9,932,084	8,965,351	13,632,325	12,705,351
Unallocated assets	233,683	323,891	627,247	776,850	860,930	1,100,741
Total assets	3,933,924	4,063,891	10,559,331	9,742,201	14,493,255	13,806,092
Segment liabilities	3,933,924	4,063,891	10,559,331	9,742,201	14,493,255	13,806,092
Total liabilities	3,933,924	4,063,891	10,559,331	9,742,201	14,493,255	13,806,092

6. Interest margin and changes in fair value of interest sensitive financial instruments

In thousands of euros	2006	2005
Interest income and changes in fair value of interest sensitive financial instruments	648,081	668,489
Interest expenses	594,254	584,802
Interest margin and changes in fair value of interest sensitive financial instruments	53,827	83,687

Interest income can be broken down as follows:

In thousands of euros	2006	2005
Mortgage receivables	617,677	621,592
Deposits and loans	11,257	9,595
Changes in fair value of mortgage portfolio, derivative and other financial instruments	7,536	26,043
Foreign currency results	916	1,773
Other	10,695	9,486
	648,081	668,489

'Mortgage receivables' includes revenues from the granting of mortgage loans and related transactions, as well as related commission income and other income and expenses that have the characteristics of interest. EUR 1.0 million (2005: EUR 0.6 million) is included in interest income with respect to Achmea Group companies.

An amount of EUR 7.5 million (2005: EUR 26.0 million) is included under 'Interest income' with respect to the change in the fair value of the mortgage portfolio, derivative and other financial instruments. This comprises an expense of EUR 3 million due to the change in the hedged mortgage portfolio and income of EUR 10.5 million due to the change in the value of the derivative financial instrument portfolio.

'Other' includes current account interest, commitment interest and other income.

EUR 1.9 million (2005: EUR 1.5 million) is included under 'Interest income' with respect to interest income on financial assets that have been subject to impairment.

Interest expenses can be broken down as follows:

In thousands of euros	2006	2005
Loans	571,654	537,591
Changes in fair value of mortgage portfolio, derivative and other financial instruments	16,703	37,168
Other	5,897	10,043
	594,254	584,802

In 2006, interest expense included the amortisation of the first-time adoption adjustment as of 1 January 2005 (EUR 29.6 million) and the amortisation of the fair value hedge accounting (EUR 12.9 million positive) during 2006. The total expense therefore amounted to EUR 16.7 million in 2006 (2005: EUR: 37.2 million).

In 2006 the amortisation method was modified, switching from the straight-line method to the effective-interest method. This method offers better matching between the fair value changes to derivative financial instruments and the amortisation of the fair value adjustments to the mortgage portfolio, since the revaluation of the derivative positions is already reported on the basis of the effective interest rate. The non-recurring effect in 2006 was recognised in accordance with IFRS 8, leading to a lower amortisation expense of EUR 1.4 million in 2006 compared to amortisation by the straight-line method.

7. Fee and commission expenses

In thousands of euros	2006	2005
Fees and commissions paid within Achmea Group	2,192	4,195
	-2,192	-4,195

From the present financial year onwards, the commission which Achmea Hypotheekbank pays to Centraal Beheer Achmea and Avéro Achmea, in so far as it concerns sales-related commission on new mortgage business with a duration of more than 1 year, is amortised over the estimated residual term of the mortgage in question. As a result, commission expenses were EUR 2.0 million lower in 2006.

8. Operating expenses

In thousands of euros	2006	2005
Personnel expenses	17,535	16,134
Administrative expenses	26,229	20,756
Depreciation	226	662
	43,990	37,552

In view of the continued effort to improve the quality of the proposal and business flow process, and due to the introduction of the budget mortgage, it was necessary, in 2006, to expand the hiring in of external staff, and to do so on a flexible basis. Also, the Bank's business processes were further optimised, engaging the support of third parties. Finally, in 2006, a number of vacancies were filled.

9. Personnel expenses

The average number of staff employed by Achmea Hypotheekbank during the year was 163 FTEs (2005: 215 FTEs). The decline in the number of FTEs relative to 2005 was caused by the transfer of a number of corporate staff departments (involving 43 FTEs) from Achmea Hypotheekbank to Achmea Bankholding. Expenses charged on by, amongst others, Achmea Bankholding are recognised under Other personnel expenses. All employees with a contract are formally employed by Achmea Personeel B.V. The direct salary expenses, pension expenses, emoluments and other payroll-related expenses are charged on to Achmea Hypotheekbank on a monthly basis.

In thousands of euros	2006	2005
Wages and salaries	6,673	9,060
Pension expenses	1,684	2,540
Other social security expenses	1,028	1,238
Other personnel expenses	8,150	3,296
	17,535	16,134

10. Taxes

In thousands of euros	2006	2005
Taxes due on profits		
For the year	4,436	11,304
Previous years	-1,390	-
Total taxes due on profits	3,046	11,304
Deferred tax		
Origination and settlement of temporary differences, for the year	-2,672	1,408
Origination and settlement of temporary differences, previous years	2,913	-
Reduction in corporate tax rate	1,000	461
Total deferred tax expenses	1,241	1,869
Taxes on operating results	4,287	13,173

Reconciliation of the effective tax burden

In thousands of euros	2006	2005
Operating profit before tax	6,440	40,357
Nominal tax rate	29.6%	31.5%
Nominal tax burden	1,907	12,712
Tax concerning previous years	1,380	-
Reduction in tax rate	1,000	461
Effective tax burden	4,287	13,173
Effective tax rate	66.57%	32.64%

At year-end 2006, Achmea Hypotheekbank carried net deferred tax assets on its balance sheet, which was converted at the new tax rate of 25.5%, effective from 2007. The effect of the reduced tax rate is a non-recurring expense of EUR 1.0 million.

11. Cash

In thousands of euros	2006	2005
Cash	27,576	19,373
	27,576	19,373

This item includes all legal tender and demand deposits held at De Nederlandsche Bank.

12. Banks

In thousands of euros	2006	2005
Amounts due from banks	386,189	609,887
	386,189	609,887

Receivables included under 'Amounts due from banks' can be analysed as:

In thousands of euros	2006	2005
• Not available on demand	108,689	139,887
• < or equal to 3 months	277,500	470,000
	386,189	609,887

'Amounts due from banks' comprises variable-interest rate loans.

13. Derivative financial instruments

Achmea Hypotheekbank uses the following derivative financial instruments for hedging purposes:

Currency and interest rate swaps

Swaps are obligations to exchange one set of cash flows for another. Swaps result in an economic exchange of foreign currencies or interest rates or a combination of these (i.e. cross-currency interest rate swaps). The notional amount is not exchanged except for specified foreign currency swaps. The credit risks of Achmea Hypotheekbank correspond with the possible expenses of replacing the swap contracts if counterparties fail to meet their obligations. This risk is continually monitored. In doing so, the fair value, a proportion of the notional amount of the contracts and the liquidity of the market are taken into consideration. To control the level of credit risk taken, Achmea Hypotheekbank only enters into contracts with widely renowned counterparties.

Foreign currency and interest forwards

Currency forwards are obligations to buy foreign currency and euros. Foreign currency and interest forwards entail contractual obligations to receive or pay a net amount based on changes in exchange or interest rates, or to buy or sell a foreign currency or a financial instrument at a specified price at a future date, established in an organised financial market. The credit risk is negligible, because futures contracts are secured by cash or marketable securities and changes in the futures contract are settled with the exchange daily.

Forward rate agreements

Forward rate agreements are individually negotiated interest futures that call for cash settlement at a future date for the difference between a contracted interest rate and the current market interest rate, based on a notional principal amount.

Foreign currency and interest rate options

Foreign currency and interest rate options are contracts under which the seller (writer) grants the purchaser (holder) the right but not the obligation to buy (a call option) or sell (a put option), before a specified date or during a specified period, a specified amount of foreign currency, or a financial instrument at a predetermined price.

The seller receives a premium from the buyer for assuming the foreign exchange and interest rate risk. Options may be either exchange-traded or negotiated between Achmea Hypotheekbank and a counterparty (OTC). Achmea Hypotheekbank has a credit risk only on purchased options, and only on the carrying amount of the options, which is equal to the fair value.

The notional amounts of specified types of financial instruments provide a basis for comparison with instruments recognised on the balance sheet, but is not necessarily indicative of the amounts of future cash flows or the current fair value of the instruments and does not therefore provide insight into Achmea Hypotheekbank's credit and price risk. The derivative financial instruments become financial assets or financial liabilities as a consequence of movements in market interest rates or foreign exchange rates relative to the agreed interest or foreign exchange rate. The aggregate contractual or notional amount of derivative financial instruments on hand can fluctuate significantly from time to time.

The fair values of derivative financial instruments held by Achmea Hypotheekbank are set out below.

As at 31 December 2006

In thousands of euros	Notional amount	Fair value	
		Assets	Liabilities
Interest rate swaps	14,861,267	246,508	310,989
Swaptions	498,331	-	-
Currency forwards	71,559	-	1,529
Total assets and liabilities derivative financial instruments		246,508	312,518

As at 31 December 2005

In thousands of euros	Notional amount	Fair value	
		Assets	Liabilities
Interest rate swaps	12,772,867	336,027	608,247
Swaptions	498,331	-	-
Currency forwards	96,839	4,861	-
Total assets and liabilities derivative financial instruments		340,888	608,247

14. Public sector loans and advances

In thousands of euros	2006	2005
Short-term lending to the government	37,500	-
	37,500	-

This includes short-term lending (call money) to the government.

15. Private sector loans and advances

This includes all receivables except those from credit institutions, and insofar as not evidenced by bonds and other fixed income securities.

The loans and advances can be broken down as follows:

In thousands of euros	2006	2005
Mortgage loans at fair value	585,203	-
Mortgage loans at amortised cost	13,053,792	12,712,679
Less: allowance for losses on loans and advances	6,670	7,328
	13,632,325	12,705,351

The variable-interest rate loans totalled EUR 2.0 billion (2005: EUR 2.6 billion) and loans with long-term interest rates totalled EUR 11.6 billion (2005: EUR 10.1 billion).

All 'Private sector loans and advances' were granted under mortgage collateral on residential properties located in the Netherlands. Achmea Hypotheekbank may lend the collateral or pledge it to third parties.

As at 31 December 2006, EUR 11.9 billion of the total 'Private sector loans and advances' was not freely available due to pledging in respect of cash and capital market transactions (2005: EUR 11.3 billion).

Overview of mortgage transactions against nominal value

In thousands of euros	2006	2005
• Stichting Trustee Achmea Hypotheekbank	5,504,695	5,070,592
• Dutch Mortgage Portfolio Loans I B.V.	584,399	691,309
• Dutch Mortgage Portfolio Loans II B.V.	627,496	736,710
• Dutch Mortgage Portfolio Loans III B.V.	780,842	951,264
• Dutch Mortgage Portfolio Loans IV B.V.	880,105	1,054,116
• Dutch Mortgage Portfolio Loans V B.V.	1,046,399	1,234,033
• Securitised Guaranteed Mortgage Loans I B.V.	906,561	-
• Pledging Achmea Pensioen- en Levensverzekering N.V.	1,412,665	1,413,105
• Third-party pledging	181,485	181,499
	11,924,647	11,332,628

'Private sector loans and advances' can be broken down by contractual repricing date as follows:

Private sector loans and advances

In thousands of euros	2006	2005
• < or equal to 3 months	1,811,001	1,796,976
• 3 months < x < or equal to 1 year	1,249,217	1,599,794
• 1 year < x < equal to 5 years	3,469,039	3,275,211
• > 5 years	7,103,068	6,033,370
	13,632,325	12,705,351

Impairment on financial instruments and other assets

Impairment on financial instruments and other assets, which is valued at amortised cost, can be broken down as follows:

Allowance for losses on loans and advances

In thousands of euros	2006	2005
As at 1 January	7,328	6,073
Acquisitions (Interpolis)	1,625	-
Additions	3,452	3,541
Write-offs	3,488	1,527
Releases	2,247	759
As at 31 December	6,670	7,328

The movements of the 'Private sector loans and advances' can be broken down as follows:

Mortgages at fair value

In thousands of euros	2006	2005
As at 1 January	-	-
Acquisitions (Interpolis)	596,948	-
Loans granted	-	-
Repayments	-7,388	-
Fair value movement	-4,357	-
As at 31 December	585,203	-

Mortgages at amortised cost

In thousands of euros		2006	2005
As at 1 January		12,705,351	12,421,687
Changes in opening balance sheet:	Changes in 'first time adoption'	-	250,367
Acquisitions (Interpolis)		330,080	-
Loans granted		2,002,270	1,773,740
Repayments		-1,798,765	-1,714,565
Fair value hedge accounting	Change	-178,428	7,005
	Amortisation	12,933	-3,863
	Amortisation 'first time adoption'	-29,636	-33,305
		-195,131	-30,163
Amortised cost	Change	6,453	8,556
	Amortisation	-3,794	-3,016
		2,659	5,540
Value adjustments	Additions	-3,452	-3,541
	Acquisitions (Interpolis)	-1,625	-
	Releases	2,247	759
	Write-offs	3,488	1,527
		658	-1,255
As at 31 December		13,047,122	12,705,351

16. Interest-bearing securities

Listed bonds totalled EUR 77.2 million (2005: EUR 83.1 million). All interest-bearing securities belong to the Bank's investment portfolio. In 2007, EUR 25.9 million of the bonds and other fixed-income securities were payable on demand (2006: EUR 18.2 million).

Changes in the value of investments in the above bonds was a negative EUR 3.7 million (2005: EUR 2.4 million negative). A negative EUR 2.1 million (2005: EUR 1.5 million negative) has been recognised in the revaluation reserve.

Movements in investment securities can be broken down as follows:

In thousands of euros	Available for sale 2006	Available for sale 2005
As at 1 January	83,133	78,336
Adjustment to market value (IAS 39)	-	7,155
Purchases	15,911	-
Sales/repayments	-18,220	-
Value adjustments	-3,650	-2,358
As at 31 December	77,174	83,133

17. Equipment

In thousands of euros	2006	2005
As at 1 January	751	1,193
Investments	-	220
Depreciation	-226	-662
Disposals	-348	-
As at 31 December	177	751
Accumulated depreciation	4,586	11,181

'Equipment' comprises equipment, software and information-processing equipment. Residual value is not taken into account. All equipment is used by Achmea Hypotheekbank.

18. Prepayments and other receivables

In thousands of euros	2006	2005
Accrued interest	39,623	33,701
Other	37,722	5,054
	77,345	38,755

An amount of EUR 28.8 million is included under 'Other' (2005: EUR 3.9 million) relating to receivables from Achmea Group companies.

19. Banks

This includes all non-subordinated liabilities to credit institutions insofar as they are not evidenced by debt securities.

The breakdown of 'Banks' by term to maturity is as follows:

In thousands of euros	2006	2005
• < or equal to 3 months	185,939	176,812
• 3 months < x < or equal to 1 year	362,339	365,912
• 1 year < x < or equal to 5 years	278,446	500,619
• > 5 years	19,540	19,541
	846,264	1,062,884

'Amounts due to banks' does not include amounts due to banking institutions in the Achmea Group.

Fixed-interest rate liabilities to banks totalled EUR 660 million (2005: EUR 886 million) and variable-interest rate liabilities to banks totalled EUR 186 million (2005: EUR 177 million).

20. Funds entrusted

This includes all non-subordinated liabilities except those to credit institutions insofar as they are not evidenced by debt securities. The breakdown of funds entrusted by term to maturity is as follows:

In thousands of euros	2006	2005
• < or equal to 3 months	262,211	607,191
• 3 months < x < or equal to 1 year	903,311	294,114
• 1 year < x < or equal to 5 years	707,630	720,095
• > 5 years	1,635,262	1,668,567
	3,508,414	3,289,967

An amount of EUR 1.4 billion (2005: EUR 1.4 billion) of 'Funds entrusted' is pledged to Achmea Pensioen- en Levensverzekeringen N.V. No debts to legal persons and companies that have a capital stake in Achmea Hypotheekbank are included in 'Funds entrusted'. 'Funds entrusted' includes EUR 2.5 billion (2005: EUR 1.9 billion) worth of debts to non-banking institutions in the Achmea Group. See the disclosure under 'Related parties' for an itemisation of these debts in the Achmea Group.

21. Debt securities

These include bonds and other debt securities.

In thousands of euros	Average interest rate (%)		2006	2005
	2006	2005		
Bonds	4.06	3.20	8,890,838	7,953,758
Other debt securities	3.39	2.22	306,000	224,400
			9,196,838	8,178,158

'Debt securities' can be broken down by term to maturity as follows:

In thousands of euros	2006	2005
• < or equal to 3 months	551,134	145,000
• 3 months < x < or equal to 1 year	796,410	1,061,290
• 1 year < x < or equal to 5 years	3,883,290	2,876,550
• > 5 years	3,966,004	4,095,318
	9,196,838	8,178,158

22. Subordinated liabilities

'Subordinated loans' can be broken down as follows:

In thousands of euros	Interest percentage (%)		
	2006	2006	2005
Loan 1996/2006	6.75	-	90,710
Loan 1999/2015	5.68	6,807	6,807
Loan 1999/2014	5.57	1,134	1,134
Loan 1999/2009 (*)	5.55	14,839	14,839
Loan 2001/2013 (*)	6.27	25,000	25,000
Loan 2001/2010 (*)	5.77	6,250	6,250
Loan 2001/2011 (*)	5.87	6,250	6,250
Loan 2001/2012 (*)	5.95	6,250	6,250
Loan 2001/2015 (*)	6.12	6,250	6,250
Loan 2002/2012 (*)	5.96	8,000	8,000
Loan 2002/2012 (*)	5.89	4,500	4,500
Loan 2002/2012 (*)	5.89	2,500	2,500
Loan 2002/2012 (*)	5.89	11,500	11,500
Loan 2002/2012 (*)	5.89	5,000	5,000
Loan 2006/2016	4.22	60,000	-
		164,280	194,990

The loans can only be redeemed before maturity with the consent of De Nederlandsche Bank. The loans are subordinated to the Company's other current and future liabilities. They are equal in rank. The subordinated loans marked (*) are granted by Achmea Group companies. EUR 10.9 million (2005: EUR 11.8 million) worth of interest was paid on subordinated loans in the financial year.

23. Accruals and other liabilities

In thousands of euros	2006	2005
Accrued interest	124,112	111,112
Other accruals	4,496	6,123
Other liabilities	59,008	45,936
	187,616	163,171

24. Deferred tax

Deferred tax is calculated on all temporary differences at an effective tax rate of 25.5% (2005: 29.6%).

Deferred tax assets and liabilities relate to the following items:

Deferred tax position

In thousands of euros	Assets		Liabilities		Balance	
	2006	2005	2006	2005	2006	2005
Interest-bearing securities		2,628	674	1,030	-674	1,598
Allowance for losses on loans and advances			454	801	-454	-801
Atypical tax treatment of expenses			8,767	1,235	-8,767	-1,235
Valuation differences due to application of IFRS	33,181	24,243	-		33,181	24,243
Tax position asset/liability	33,181	26,871	9,895	3,066	23,286	23,805
Tax rate	25.50%	29.60%	25.50%	29.60%	25.50%	29.60%
Net deferred tax	8,461	7,954	2,523	908	5,938	7,046

Changes to temporary differences

In thousands of euros	Balance sheet as at 01-01-2006	Recognised in result	Recognised in equity	Balance sheet as at 31-12-2006
Interest-bearing securities	1,598	-2,272		-674
Allowance for losses on loans and advances	-801	347		-454
Atypical tax treatment of expenses	-1,235	-7,532		-8,767
Valuation differences due to application of IFRS	24,243	11,915	-2,977	33,181
	23,805	2,458	-2,977	23,286

In thousands of euros	Balance sheet as at 01-01-2005	Recognised in result	Recognised in equity	Balance sheet as at 31-12-2005
Interest-bearing securities	2,859	-1,261		1,598
Allowance for losses on loans and advances	-1,214	413		-801
Atypical tax treatment of expenses	-1,495	260		-1,235
Valuation differences due to application of IFRS	9,794	-4,471	18,920	24,243
	9,944	-5,059	18,920	23,805

25. Tax liabilities

The corporate income tax debt of EUR 11.2 million (2005: EUR 44.1 million) represents the tax due in respect of the year under review and previous periods.

26. Contingent liabilities and commitments

Legal procedures

At 31 December 2006, a number of legal procedures had been started against Achmea Hypotheekbank. Based on legal advice, the Executive Board does not expect the outcome of the procedures to have a material impact on the Company's financial position.

Contractual liabilities

At 31 December 2006, Achmea Hypotheekbank had contractual liabilities of over EUR 6.1 million (2005: EUR 4.2 million), primarily in connection with the provision of ICT-related services. EUR 4.6 million (2005: EUR 3.2 million) of this is connected to ICT-related contracts with group companies.

Contingent liabilities

This includes all liabilities arising from transactions in which Achmea Hypotheekbank acts as a guarantor for third parties. The contingent liabilities are bank guarantees totalling EUR 3.6 million (2005: EUR 6.8 million).

Irrevocable facilities

These cover all the liabilities with respect to irrevocable promises that could lead to a credit risk. These are proposals for mortgage loans and credit facilities accepted by customers worth EUR 369 million (2005: EUR 470 million).

Tax group

Jointly with Achmea Bank Holding N.V. and its subsidiaries, Achmea Hypotheekbank forms a tax grouping with Eureko B.V. for corporation tax; each of the companies is liable for the payment of taxes of all of the members of the tax group, on standard conditions.

27. Shareholders' equity

For a disclosure of the shareholders' equity, see the consolidated statement of changes to shareholders' equity.

28. Acquisitions

Achmea Hypotheekbank acquired Interpolis Schade Hypotheken B.V. and Interpolis BTL Hypotheken B.V. as of 1 December 2006. These companies were acquired from N.V. Interpolis Schade and N.V. Interpolis BTL, respectively. Control over both companies, as well as over Achmea Hypotheekbank vests in Eureko B.V. Consequently, ultimate control over the acquired companies has not changed, so that IFRS 3 'Business combinations' is not applicable.

The acquired assets and liabilities can be analysed as follows:

In thousands of euros	Subsidiaries
Assets	
Banks	4,532
Private sector loans and advances	925,403
Deferred tax assets	771
Prepayments and other receivables	13,242
Total assets	943,948
Liabilities	
Banks	1,158
Debt securities	953,579
Other tax liabilities	656
Accruals and other liabilities	15
Total liabilities	955,408
Net acquired assets	-11,460

The fair value of the assets and liabilities of the acquired companies has been determined at the time of acquisition.

The companies were acquired on the basis of the fair value so determined. In the context of initial recognition of the financial instruments a portion of the Loans and advances to the private sector has been designated as 'fair value through profit and loss' (EUR 597 million) and another portion as 'amortised cost' (EUR 328 million). The debt securities have been designated in full as 'amortised cost'.

29. Related parties

Identity of related parties

Achmea Hypotheekbank N.V. is a wholly owned subsidiary of Achmea Bank Holding N.V. (incorporated in the Netherlands). The group's ultimate parent is Eureko B.V.

Achmea Hypotheekbank has relationships with related parties. Related parties are other subsidiaries within the group, and supervisory directors and members of the Executive Board of Achmea Hypotheekbank. There are a number of banking transactions with related parties as part of normal business.

Under 'Banks' there is an amount of EUR 123 million (2005: EUR 73 million) in deposits and inter-company loans with respect to group companies.

In addition, under 'Subordinated liabilities' (see also the summary in the notes) there is an amount of EUR 96 million (2005: EUR 96 million) with respect to loans from group companies and affiliated companies.

Under 'Funds entrusted' there is an amount of EUR 2.5 billion (2005: EUR 1.9 billion) in debts to non-banking institutions in Eureko B.V. This item is specified below. Changes in 2005 and 2006 are caused only by repayments and borrowings.

Group company loans recognised under 'Funds entrusted'

In thousands of euros	2006	2005
Levob Levensverzekeringen	-	8,793
AP&L Investments	1,271,080	1,300,950
Achmea Schade Investments Non Life	220,768	230,980
Achmea Pensioen Avéro	184,562	197,716
Achmea Leven Avéro	-	33,113
Interpolis bankassurance life	573,642	-
Interpolis bankassurance non life	190,053	-
Achmea Leven FBTO	-	40,936
Achmea Zorg ZK	74,699	77,611
	2,514,804	1,890,099

Interest expenses on account of loans and debts to related parties can be analysed as follows:

Interest expenses on account of loans and debts to related parties

In thousands of euros	2006	2005
Levob Levensverzekeringen	-	479
AP&L Investments	64,348	63,487
Achmea Schade Investment Non Life	10,319	10,319
Achmea Pensioen Avéro	10,548	10,548
Achmea Leven Avéro	-	1,608
Interpolis bankassurance life	2,622	-
Interpolis bankassurance non life	783	-
Achmea Leven FBTO	2,633	2,500
Achmea Zorg ZK	3,310	3,310
Staalbankiers	2,660	3,053
Achmea Retail Bank	1,768	1,014
Centraal Beheer Achmea Hypotheken	1,973	-
	100,964	96,318

Commission expenses in regard to related parties

In thousands of euros	2006	2005
Centraal Beheer Achmea Hypotheken	1,447	3,494
Avéro Hypotheken	745	701
	2,192	4,195

From the present financial year onwards, the commission which Achmea Hypotheekbank pays to Centraal Beheer Achmea and Avéro Achmea, in so far as it concerns sales-related commission on new mortgage business with a duration of more than 1 year, is amortised over the estimated residual term of the mortgages in question. As a result, commission expenses were EUR 2.0 million lower in 2006.

Costs (e.g. interest discount on employee mortgages and sales cost) are settled between the various related parties during the financial year.

30. Executive Board and Supervisory Board

The loans granted to members of the Executive Board and Supervisory Board are primarily receivables under mortgage collateral with a long term (30 years). The interest rates vary from 4.0% to 5.9%, taking account of staff discount.

Loans granted can be broken down as follows:

Loans and advances

Executive Board and
Supervisory Board members

In thousands of euros	2006	2005
Outstanding loans as at 1 January	478	256
Loans granted	-	295
Other changes	-92	-73
Outstanding loans as at 31 December	386	478

The remuneration of Executive Board and Supervisory Board members can be broken down as follows:

Remuneration of Executive Board and Supervisory Board members

In thousands of euros	2006	2005
Periodic remuneration of Executive Board members	725	705
Periodic remuneration of Supervisory Board members	78	78
Profit sharing and bonuses of Executive Board members	85	82
	888	865

No deposits are held in the name of Executive Board and Supervisory Board members. See the section 'Officers' for the composition of the Executive Board and the Supervisory Board

31. Subsidiaries

Name	Amount	Voting right
Netherlands		
Interpolis BTL Hypotheken B.V.	100%	100%
Interpolis Schade Hypotheken B.V.	100%	100%

32. Events after the balance sheet date

On 26 February 2007, under its new covered bond programme (programme size EUR 10 billion), Achmea Hypotheekbank concluded an initial issue of EUR 1.5 billion (rated AAA/Aaa). The bonds are issued with the guarantee of a mortgage portfolio transferred to an SPV.

COMPANY BALANCE SHEET

(after appropriation of profit)

As at 31 December

In thousands of euros	2006	2005
Assets		
Cash	23,895	19,373
Banks	180,050	516,160
Receivables from group companies	52,249	21,655
Participating interests	-11,140	-
Derivative financial instruments	325,325	389,285
Public sector loans and advances	37,500	-
Private sector loans and advances	12,727,293	12,705,351
Interest-bearing securities	77,174	83,133
Equipment	177	751
Deferred tax assets	8,461	7,954
Prepayments and other receivables	63,232	38,755
Total assets	13,484,216	13,782,417

Liabilities

Banks	846,264	1,062,884
Derivative financial instruments	240,420	584,377
Funds entrusted	2,576,012	3,289,967
Liabilities from group companies	4,695,118	4,657,564
Debt securities	4,501,720	3,520,594
Other tax liabilities	16,936	44,060
Deferred tax liability	2,523	908
Accruals and other liabilities	177,301	163,366
Subordinated liabilities	164,280	194,990
Shareholders' equity	263,642	263,707
Total liabilities	13,484,216	13,782,417

COMPANY INCOME STATEMENT

For the year ended 31 December

In thousands of euros	2006	2005
Operating profit before taxes	1,833	27,184
Profits of subsidiaries after tax	320	-
Net profit for the year	2,153	27,184

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

In thousands of euros	Share capital	Share premium	Revaluation reserve	Retained earnings	Other reserves	Total equity
As at 1 January 2006	18,152	164,206	873	27,184	53,292	263,707
Retained earnings				2,153		2,153
Distribution of profit 2005				-27,184	27,184	-
Net unrealised results on 'available for sale' financial instruments			-1,593			-1,593
Other changes					-625	-625
As at 31 December 2006	18,152	164,206	-720	2,153	79,851	263,642

As at 1 January 2005	18,152	164,206	-	17,044	47,484	246,886
First-time adoption 01-01-2005 IAS 32/39			1,950		-11,236	-9,286
Retained earnings				27,184		27,184
Distribution of profit 2004				-17,044	17,044	-
Net unrealised results on 'available for sale' financial instruments			-1,077			-1,077
As at 31 December 2005	18,152	164,206	873	27,184	53,292	263,707

At 31 December 2006, the authorised share capital was EUR 90.8 million, divided into 200,000 ordinary shares (2005: 200,000), each with a nominal value of EUR 453.78. At 31 December 2006, 40,001 (2005: 40,001) shares had been issued and paid-up.

The revaluation reserve contains the cumulative net fair value change in respect of financial assets classified as 'available for sale'.

NOTES TO THE COMPANY BALANCE SHEET AND INCOME STATEMENT

General

The company financial statements are part of the consolidated financial statements of Achmea Hypotheekbank N.V. With respect to the company income statement of Achmea Hypotheekbank, the exemption has been employed as included in the Netherlands Civil Code, Book 2, Article 402.

With respect to the assets and liabilities valuation principles and the principles for profit recognition, Achmea Hypotheekbank applies the option in the Netherlands Civil Code, Article 2:362 (8). This means that these valuation and profit recognition principles are identical to the IFRS principles as applied in the consolidated financial statements of Achmea Hypotheekbank. These IFRS principles are in line with the standards at 31 December 2006 as established by IASB and adopted by the European Union.

Insofar as notes are not present for specific items on the company balance sheet and income statement, see the notes to the consolidated balance sheet and income statement.

Receivables from group companies

This is the balance of the amounts due from the SPVs and their related foundations.

Investments in group companies

This concerns the holdings in Interpolis BTL Hypotheken B.V. and Interpolis Schade Hypotheken B.V.

Movements in investments

In thousands of euros	2006	2005
Opening balance	-	-
Acquisitions	-11,460	-
Changes (net)	320	-
Closing balance	-11,140	-

Derivative financial instruments

This refers to the fair value of the derivative financial instruments, including the back-to-back swaps entered into with the SPVs. The value is the balance of the present value of the interest cash flows of the transferred mortgage portfolio on the one hand and the bonds to finance the transferred mortgage portfolio on the other.

Liabilities to group companies

This item represents the liabilities to the SPVs by virtue of the securitisation transactions.

AUDITORS' REPORT

Report on the financial statements

We have audited the financial statements for the year 2006 of Achmea Hypotheekbank NV, The Hague, as set out in this report. The financial statements consist of the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at 31 December 2006, the income statement, the statement of changes in shareholders' equity and the cash flow statement for the year 2006, and a summary of significant accounting policies and other explanatory notes. The company financial statements comprise the company balance sheet as at 31 December 2006 and the company income statement for the year ended 2006 and the notes.

Management's responsibility

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

Auditor's responsibility

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

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

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

Opinion with respect to the consolidated financial statements

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

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of Achmea Hypotheekbank N.V. as at 31 December 2006 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Article 2:393 (5) (e) of the Netherlands Civil Code, we report, to the extent of our competence, that the annual report is consistent with the financial statements as required in Article 2:391 (4) of the Netherlands Civil Code.

Amstelveen, 15 March 2007

KPMG ACCOUNTANTS N.V.
M.A. Huiskers

PROFIT APPROPRIATION ACCORDING TO THE ARTICLES OF ASSOCIATION

The profit is to be appropriated in accordance with article 35 of Achmea Hypotheekbank N.V.'s Articles of Association, which reads as follows:

Profit and loss

Article 35

- 35.1. The profit shall be at the free disposal of the annual general meeting.
- 35.2. Distribution of profit shall be made after adoption of the financial statements that show that such distribution is permissible.
- 35.3. Dividends shall be made payable four weeks after being declared, unless the annual general meeting determines a different date on the proposal of the Executive Board. Dividends that have not been collected within five years of becoming payable shall revert to the Company.
- 35.4. Notwithstanding the provisions of article 6, if, on the proposal of the Executive Board, the annual general meeting so resolves, an interim dividend may be distributed, such to include an interim distribution from reserves, subject to the provisions of Article 105 (4), Book 2, of the Netherlands Civil Code.
- 35.5. The annual general meeting may resolve that dividends be distributed in whole or in part in another form than in cash.
- 35.6. The Company may make distributions to shareholders and to any other party entitled to distributable profit only in so far as its equity is greater than the sum of the issued capital plus the reserves required by law.
- 35.7. A deficit may be offset against the reserves required by law only in so far as permitted by law.

PROPOSAL FOR APPROPRIATION

It is proposed that the annual general meeting of shareholders appropriate the whole of the profit after tax amounting to EUR 2.2 million to the other reserves. The profit after tax for 2006 has been recognised as Retained earnings in Shareholders' equity.

Achmea Hypotheekbank N.V.

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