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Annual Report 2005

EUREKO

One of Europe's leading financial services groups

Some years ago, when Eureko first re-structured into its current form, it was seen as a new and vibrant force emerging on to the financial services market.

The 'emergence' was depicted by a stylised butterfly which was made up of interlocking blocks, representing the different Eureko companies – effectively stand-alone but inter-dependent; the vibrancy came from the jewel colours associated with butterflies.

At a time of market uncertainty and falling equity values, the image of the butterfly was chosen as a 'softer' contrast to the usual hard images associated with the financial sector. It had a certain rationale, which worked well with the strap line and looked attractive and intriguing.

The butterfly has been used in Eureko Annual Reports and other visual material for a number of years now. How to use it this year, in a way which would somehow be representative of the new group, with the merger of Interpolis and Achmea, presented a challenge.

However, Interpolis sets much store by its 'crystal clear' philosophy, and so, this year we have a very financial 'look' to the Report, overlaid with 'crystal clear' butterflies.

EUREKO Annual Report 2005

Key Financial Highlights

Key figures						
	IFRS		Eureko GAAP			
EUR million	**2005**	2004	2004	2003	2002	2001
Group Income Statement						
Gross written premiums	6,577.4	5,524.3	6,209.4	5,655.7	7,431.4	7,236.5
Profit before tax and discontinued operations	826.1	385.9	604.7	436.6	–838.3	198.8
Net profit	705.9	1,022.5	1,152.6	243.0	–388.6	210.6
Number of Employees (FTEs)[1]	20,166	14,550	14,550	15,234	18,179	17,974
Insurance Gross Written Premiums						
Life	2,807.2	2,311.7	2,878.9	2,602.9	3,920.9	4,105.4
Non-Life	1,698.6	1,477.4	1,470.8	1,432.4	1,793.2	1,598.3
Health	2,071.6	1,735.2	1,859.7	1,620.4	1,717.3	1,532.8
Banking						
Net interest margin	160.7	136.4	138.3	208.5	183.9	151.4
Group Balance Sheet						
Total assets	83,293.2	52,911.1	51,296.0	47,778.5	46,756.2	53,227.9
Total investments (excl. unit-linked)	38,643.2	23,499.7	23,045.6	19,176.5	18,875.8	22,205.8
Banking credit portfolio	16,458.8	16,941.7	16,781.3	17,133.5	16,610.6	14,530.3
Capital and reserves	8,522.1	3,201.1	4,093.4	1,813.5	1,619.7	2,261.9
Embedded value Life business	4,536.9	2,348.2	2,744.5	2,593.0	2,355.0	3,367.0

Key ratios						
	IFRS		Eureko GAAP			
EUR million	**2005**	2004	2004	2003	2002	2001
Group						
Return on equity	12.7%	10.9%	39.0%	14.2%	–20.0%	6.8%
Debt leverage	9.6%	12.8%	11.5%	31.6%	48.2%	41.9%
Insurance						
Combined ratio Non-Life	89.9%	92.6%	92.5%	97.0%	104.1%	108.7%
Combined ratio Health	94.5%	97.4%	97.6%	99.1%	101.2%	102.3%
Banking						
Cost/income ratio	72.2%	103.9%	106.6%	88.7%	73.6%	83.7%
BIS ratio	11.7%	13.5%	13.3%	10.6%	10.5%	10.9%
Figures per Ordinary Share						
Earnings per share – continuing operations (EUR)	3.11	1.74	2.23	1.28	–3.32	1.03
(Proposed) dividend per share (EUR)	1.41	1.96	1.96	0.45	0.00	0.34

1) FTE figures 2001-2003 are average figures. FTE figures 2004 and 2005 are year-end.

The Eureko Strategy

Group Mission Statement

"Eureko is a leading insurance group, operating in selected European markets. Our mission is to provide superior products and services to our clients and to deliver shareholder value. We will achieve this by leveraging our family of leading brands, growing our client base and developing our proven capabilities in personal and asset protection, while providing asset accumulation and management in conjunction with our partners. We are committed to remaining close to our clients and to maintaining a balanced, ethical and transparent relationship with our shareholders, distribution partners, employees and clients. We strive to remain true to our co-operative foundations while delivering maximum value to all our stakeholder groups: clients, shareholders, distribution partners and staff. At the same time, we seek to provide benefits to society by addressing social and environmental concerns in our business operations."

The Group's corporate strategy remains unchanged as far as its direction is concerned, i.e. to build a European financial services group based on its core business of insurance, which can provide a competitive proposition to its stakeholders. Driven by the merger of Achmea and Interpolis, Eureko is entering a new phase in its development. Over the past few years, Eureko has concentrated on restoring financial performance. The capital base has been strengthened and profits have grown considerably. In Eureko's core market, The Netherlands, the combination of Achmea and Interpolis has created a powerful market leader with prospects of further growth and synergies.

This new position offers considerable opportunities but there are also challenges. Whilst the Company has become the leading insurer in The Netherlands, the aim is not to be simply the largest but the best, to be a genuine market leader, innovative and trend-setting, closely aligned with the interests of all stakeholders: customers, distributors, shareholders and employees alike.

Eureko will consolidate and grow its well-established Dutch position, increasing its presence in the intermediary channel, and leveraging its position to expand in growth markets across Europe, particularly in Central and Eastern Europe. The Group's significant presence in Poland is a springboard for further expansion in those territories.

Eureko will also seek suitable M&A opportunities, where these fit strategic objectives, as well as developing further partnerships where benefits from exchange of knowledge and expertise can be achieved.

Eureko's corporate strategy has four cornerstones:

European commitment

Eureko is committed to Europe. Convinced that European expansion is critical for long-term growth, the Group is determined to strengthen its European position. Its portfolio focuses on selected European countries, with a balance between mature and developing markets. In existing mature markets, Eureko constantly seeks to consolidate and strengthen its position, and will seek opportunities to co-operate with partners who have complementary positions. In new, emerging markets, Eureko strives to use the skills and experience gained in mature markets to exploit new opportunities where it can demonstrate specific expertise, while focusing on revenue growth. In Central and Eastern Europe, expansion is envisaged through acquisitions or start-up companies.

Eureko is an active partner in EurAPCo, an alliance of independent European financial services companies that enhances the positions of its partners in their local markets through co-operation and exchange of expertise and knowledge.

Market leadership

Eureko's operating and associated companies enjoy strong positions in their domestic markets – The Netherlands, Greece, Ireland and Poland. The merger of Achmea and Interpolis creates the Dutch market leader in Non-Life and Health insurance, with the number two position in Life. The merger has also created synergy potential which will be fully exploited within the appropriate time frames.

Friends First is a strong player in the Life and Pensions and asset finance business in Ireland. The Interamerican Group is one of the largest Life and Health insurance companies in Greece. PZU, in which Eureko currently has a 33% minus 1 (with an application for regulatory approval to go to 36.1%) shareholding, is by far the largest insurer in Poland, with 50.6% market share and start-up operations in Lithuania and Ukraine.

Market leadership, though not an end in itself, confirms Eureko as a potent competitor in its operating markets. The Group sets the trend in the markets in which it leads with innovative, customer-focused service. Its ambition is to be a preferred supplier for customers in terms of distribution, and pricing power and so differentiate its offering. The commercial performance of its Operating Companies is continually under review. Each must make a positive contribution to the Eureko Group.

Distribution strength

Vital to Eureko's success are its strong distribution and marketing skills. It believes in exploiting both the strengths of its proprietary channels and its close contacts with distribution partners. This enables the Group to react swiftly when consumer distribution preferences change, ensuring it offers the most appropriate distribution methods for specific products or customers. In The Netherlands, Eureko has leading positions in direct writing, in the employer-employee channel, and in the banking channel, where a strategic alliance with Rabobank already exists. Eureko will seek to grow this channel, as well as boosting its position in the intermediary market, which provides considerable growth opportunities. The internet offers considerable growth potential, notably in the direct writing channel. In The Netherlands, around 20% of new production of Achmea's direct writers, Centraal Beheer Achmea, Zilveren Kruis Achmea and FBTO, is already channelled through the internet.

In Ireland, Friends First's main distribution channels are brokers and banking (First Active).

Interamerican, Greece, mainly distributes through its strong agents' network, and is also exploring other channels.

In Poland, PZU uses its extensive agents' network, bank distribution, and is developing direct writing.

Product strength

Eureko offers its customers a distinctive and balanced portfolio of Life, Non-Life and Health products and services at competitive prices. The Group strives for product leadership, to be the best rather than simply the biggest. Strong product development skills is a key strength of the organisation.

Recent legislative changes in The Netherlands have caused the Company to develop innovative new products which address the new environment in Health and fiscal regulations. The newly-introduced basic health insurance and the 'Levensloopregeling' (Life Cycle Plan) savings plan have created potential for further product development.

Friends First, in Ireland, is firmly focused on pensions, investments and asset protection, and aims to grow further in these markets.

In France, Império tailors its Life products to the needs of its specific customer base – the Portuguese community in France.

Interamerican, Greece, provides a broad range of products covering the whole spectrum of insurance needs, with particular strengths in Life, Health and Emergency Assistance.

Union, in Slovakia, is a leading provider of travel insurance, with around 50% market share.

PZU is a fully comprehensive insurer with a dominant position in the Life market, as well as being the largest (Polish) provider of group insurance pension programmes.

Chairman's Statement

Dear Reader,

This has been a transformational year for Eureko, and particularly so for its development in its home market, The Netherlands. This market is mature, saturated and highly competitive, and yet, in this environment, we have achieved a remarkable strengthening of our position, and I am very proud to say that the merger between Achmea and Interpolis (previously the insurance subsidiary of Rabobank) has consolidated our leading position in this market, and we are now the largest insurer in The Netherlands. But being the largest is not what counts; what does is our aspiration to be the best; 'best' in terms of our approach to our stakeholders, who are at the very core of our strategy. We want to be 'best of breed' in all that we do. By combining the two companies, we have made a stronger, better Group. It is truly a dream combination; the two companies have similar roots and culture, both with the customer at their hearts.

In the merger of Interpolis with Achmea, Interpolis' former parent company, Rabobank, increased its shareholding in Eureko, from 5% to 37%, and is now the second largest shareholder. Three new Board members (from Interpolis) were welcomed to the Eureko Executive Board, and their expertise will be invaluable in the on-going development of our Group. Kick van der Pol, Huub Hannen and Roel Wijmenga have brought an added enthusiasm and energy to Eureko. There was also an additional exchange of members at the Supervisory Board level of both Eureko and Rabobank. The association with Rabobank has opened up growth potential through the bank distribution channel. Currently, one in four of Rabobank's clients has an Interpolis policy; our aim is to increase this number, and make Achmea, and its constituent brands, the natural brands of choice for an even larger segment of the population.

Eureko enjoyed a highly successful 2005, realising a 114% rise in net profit before tax and discontinued operations, to EUR 826 million, and a 19% increase in Gross Written Premiums to EUR 6,577 million.

The strength of our domestic operation – and this is a market where the population has a very sophisticated approach to insurance – can be used as a solid platform for our future development in the emerging markets of Central and Eastern Europe, which present considerable opportunities, as well as challenges.

The Eureko Group has several companies in a number of countries, and the focus on operational success has contributed to our achievements. Some markets are more difficult than others, and we realise this, but, ultimately, each of our companies must deliver positive results. We must support them in achieving their goals.

PZU, in Poland, is a great company but it could be even better if it would be allowed to develop as an independent, listed company. Our continuing dispute with the government of Poland remains a source of disappointment in that we have been unable thus far to reach an amicable settlement with the State Treasury over the agreed sale, to Eureko, of a further 21% of PZU shares, as well as the agreed flotation of the Company. Far from moving forward, we remain in a situation which can only be further damaging to the Company, its employees and its shareholders. Our submission to the International Court of Arbitration resulted in a judgement that the Republic of Poland had infringed Eureko's rights by not protecting its investment, as laid down in the bi-lateral Treaty between The Netherlands and Poland, and that the Republic of Poland had acted 'outrageously' in its treatment of Eureko.

Whilst the outcome of the first part was gratifying, and we now await the assessment and award of damages in the second phase of the arbitration, it is regrettable that such action had to be taken. However, our commitment to PZU and our investment has not wavered, and we remain, as always, willing to continue discussions with the government to seek a solution to the situation. PZU is an excellent company, and is the core of our future development plans in the increasingly important region of Central and Eastern Europe. However, the continuing dispute with the Polish government does have an effect on PZU, in terms of good corporate governance not being implemented, and on its employees and shareholders.

Eureko's on-going commitment to PZU is evidenced by the fact that, at the end of 2004, we acquired the 10% shareholding in PZU which was held by Bank Millennium. This transaction completed in January 2005. Additionally, early in 2006, we reached agreement to purchase a further 4.33% of shares from Manchester Securities Corporation bringing Eureko's shareholding in PZU to 36.1% (subject to regulatory approval). Currently, we control 33% minus 1 share (which was the threshold point, after which regulatory approval was required to hold a larger percentage).

Many legislative reforms in Health, Pensions and Social Security took place in The Netherlands during the past year. Similar reforms have yet to be faced by many other governments, and so, in a sense, The Netherlands has become a flag-bearer in that these difficult and emotive social legislation issues have already been addressed and tackled by the Dutch government. These reforms have had a far-reaching impact on the social landscape of The Netherlands. Where, formerly, there was a public/private system of Health insurance, since 1 January 2006, the system has been wholly privatised, so that all Dutch residents are now obliged to buy private insurance to provide coverage for basic health care (as defined by the government), regardless of their income level. However, the premiums paid will vary (one part of the premium is fixed, regardless of income; the second part is variable, depending on income level). Additional coverage may be had by purchasing extra insurance packages. Some 10 million Dutch residents who were formerly insured under the public health system ('ziekenfonds') now will purchase their basic coverage from private insurance providers. Competition for market share is fierce, resulting in pricing and margin pressure.

In addition to Health insurance, there has also been reform of Social Security legislation in relation to occupational health. Legislation now requires that employees with long-term disabilities do undertake work consistent with their adjudged capacity to work, instead of relying entirely on government support. Employers are obliged to encourage employees back into the workplace and to provide re-integration programmes for this. Employers may elect for a number of insurance packages to cover all or part of their obligations. While this presents challenges for the insurers to devise products which address and are specific to the new legislation, there are also opportunities to work closely with employers to provide optimum solutions.

Pensions too have seen considerable changes, primarily by the fact that most of the fiscal benefits formerly inherent in Life insurance plans, have been eroded, making this form of saving less attractive. But the new initiatives for pensions savings 'Levensloopregeling' (Life Cycle Plan) do provide incentives for saving, and for insurers to provide suitable products.

These are challenging times, but, thanks to our scale and scope, Eureko, through Achmea in The Netherlands, is well-equipped to deal with them positively and has reacted to these by devising a number of innovative products for all sectors of the market.

Overall, since 2003, the trend of improved results has continued; premium income development is very positive and a reflection of the success of our focus on commercial vitality, particularly in The Netherlands.

In the Dutch Health business, the introduction of the new regulations has created considerable challenges for the insurance industry. Margins are under pressure, but even in this challenging market, we have retained our leading position. We would be in favour of a period of non-legislative changes to be able to adjust adequately to the new situation and would hope that further changes, for example to the AWBZ*, will be postponed.

Our Dutch Health operation insures over three million clients (of a population of 16 million), and we aim to provide them with the best service, and to do so, we will continue to concentrate on improving efficiencies. Although the effects of the new legislation (introduced on 1 January 2006) are not yet wholly clear, early indications are positive, and we can also take satisfaction from the fact that we can bring our experience to bear on our Health operations in other countries, which have yet to address the health reform issue.

The Life market remains difficult. This is particularly so in The Netherlands where fiscal changes have resulted in a disincentive for people to save. We accept that the market has declined, but try to combat this by cost leadership. We believe that there is still un-exploited potential on which we should capitalise.

Non-Life has, once again, shown excellent results, again mainly due to a low claims ratio in motor and property and casualty.

Our banking operations have stabilised, following the re-structuring (in The Netherlands) in 2004, and results have improved compared with the earlier losses experienced. In Ireland, the banking portfolio has increased, despite a highly competitive market.

* See Glossary of Terms

Chairman's Statement continued

On corporate social responsibility, we have participated in a number of initiatives, and are wholly committed to the ethos of sustainable development. To underwrite our commitment, Eureko will set up a charitable Foundation, in which it will invest annually 0.5% of its net profit.

Our on-going partnership with EurAPCo (the alliance of European financial services companies) and its other partners, provides us with opportunities to realise synergies, exchange knowledge and expertise, and generally benefit from the broader possibilities offered by such a partnership.

2005 has also been a year of personal transition. Following the retirement of Gijsbert Swalef, who was instrumental in the founding of Eureko, I became Chairman and CEO of Eureko. Following on from Gijsbert Swalef presents its own challenges. He was a remarkable leader who played a key role in achieving a turnaround in the fortunes of the Company, after a difficult period. He steered the company back to financial health and put in place the necessary changes which have contributed to making Eureko the dynamic group it is today. I hope to continue his legacy, and with the help and support of my colleagues on the Executive Board, I will endeavour to take Eureko and its companies forward, to achieve our goals and ambitions. In realising our objectives, our hard working and committed staff will be key. They are the core of our operations and are central to the achievement of our goals. They have done a good job despite the pressures of market influences and changing conditions and I would like to extend my personal thanks for their on-going support and loyalty. Their great efforts have contributed to making the company as successful as it is.

Our Supervisory Board also deserves thanks for its continued encouragement and dedication. At the Annual General Meeting in 2005, Johan (Joop) de Veer stepped down; he was Chairman of the Supervisory Board first of Achmea and then Eureko since 1995. On behalf of the Executive Board, I wish to express my gratitude for his sterling service to Eureko. He has been unstinting in his support and we have benefitted from his wisdom and objectivity.

I should also like to extend my appreciation to colleagues in Rabobank, whose commitment to Eureko has been amply demonstrated. We look forward to long-term close co-operation.

We look forward to the challenges of 2006 with a spirit of pride and optimism. There is pride in our achievements to date, and optimism based on these achievements, coupled with the belief that we can achieve even more. Eureko has made great strides forward since the difficult times of just a few years ago. It is today a Group of which we can – and should – be justifiably proud.

Maarten Dijkshoorn

Maarten Dijkshoorn

Chairman of the Executive Board and Chief Executive Officer
Eureko B.V.
22 March 2006

Executive Board

1. M.W. (Maarten) Dijkshoorn, (1950), Dutch nationality. Started his career at RVS and became a member of the Board of Nationale Nederlanden in 1992. He joined Eureko in 2002 and became Chairman of the Executive Board and CEO on 1 October 2005.

2. C. (Kick) van der Pol (1949), Dutch nationality. Worked in the area of Occupational Health, Pensions and Reintegration. Became Chairman of the Board of Directors of Relan, prior to its merger with Interpolis. In 2002, he was appointed as Chairman of the Board of Directors of Interpolis. Following the Interpolis merger with Achmea, he became Vice Chairman of the Executive Board as per 28 November 2005.

3. E.R. (Ernst) Jansen (1948), Dutch nationality. Worked at the Ministry of Economic Affairs and Noordelijke Ontwikkelingsmaatschappij N.V. between 1980 and 1990. He held management positions in the chemical industry in several European countries. In 1990, he joined Centraal Beheer and has been on the Executive Board of Eureko since 1992. He holds the position of Vice Chairman.

4. G.H.J. (Gert) van Arkel (1948), Dutch nationality. Held various positions, amongst others at Detam and PVF Nederland. He joined the Executive Board in 1998.

5. W.A.J. (Willem) van Duin (1960), Dutch nationality. Joined the Group in 1987. He held various positions at the Holding and at the Business Units Health and Commercial Lines. Became a member of the Executive Board in 2004.

6. H.A.J. (Huub) Hannen (1948), Dutch nationality. Joined Interpolis in 1970 and held various positions, including being on the Board of Directors of Interpolis. Following the Interpolis merger with Achmea, he became a member of the Executive Board as per 28 November 2005.

7. G. (Gerard) van Olphen – CFO (1962), Dutch nationality. His background is ICT and Accountancy/Finance. Prior to joining Eureko, he was CFO of SNS Reaal, Chairman of Reaal Verzekeringen and CFO NIB Capital. He is member of the Executive Board and CFO as per 2002.

8. M. (Margriet) Tiemstra (1954), Dutch nationality. Prior to her career at Eureko, she used to work in, amongst others, management consultancy. Joined the Group in 1997, and held various positions at the Business Units Private Lines, Bank and Occupational Health. She became a member of the Executive Board in 2004.

9. R.T. (Roel) Wijmenga (1957), Dutch nationality. Taught at the Erasmus University and held various board positions at AMEV and Fortis ASR. He joined the Board of Interpolis in May 2003. Following the Interpolis merger with Achmea, he became a member of the Executive Board as per 28 November 2005.

Company Secretary
R.J.Ph. (Robert) Koning

Deputy Company Secretary
Annick Wychgel

Supervisory Board

1. A.H.C.M. (Arnold) Walravens – Chairman, (1940), Dutch nationality, was appointed in 2000. His current term expires in 2008. Mr Walravens is also a member of the Supervisory Board of Rabobank Nederland, CSM N.V. and of Sneep Industrie B.V. Furthermore Mr Walravens is Chairman of the Supervisory Board of Wolters Kluwer Nederland B.V. and Tauw Infra Consult B.V. In addition, he is Vice Chairman of the Board of Directors of Vereniging Achmea and holds various other positions within the Eureko Group.

2. M. (Marinus) Minderhoud – Vice Chairman (1946), Dutch nationality, was appointed in 2004. His current term expires in 2008. Mr Minderhoud is a member of the Supervisory Board of Rabobank Nederland, Heembouw Groep B.V. and Nuon N.V. (until April 2006). Furthermore, he is Chairman of the Supervisory Board of Hypothekers Associatie B.V., Leydsche Oranje Nassau Groep B.V., Quion B.V., Getronics N.V. and Chairman of the Board of Vodafone International Holdings B.V.

3. J.M. (Jorge) Jardim Gonçalves (1935), Portuguese nationality, was appointed in 1993. His current term terminates in 2007. Until March 2005, Mr Jardim Gonçalves was Chairman and CEO of MillenniumBCP (Portugal). At present, Mr Jardim Gonçalves is Chairman of the MillenniumBCP Senior Board. In addition, he holds positions at the Supervisory Board of Bank Millennium in Poland, at the Senior Board of Novabank in Greece and at the Board of Directors of Banco Sabadell in Spain.

4. L. (Lense) Koopmans (1943), Dutch nationality, was appointed in 2005. His current term will expire in 2009. Mr Koopmans is Chairman of the Supervisory Board of Rabobank Nederland and Chairman of the Board of Directors Stichting TBI. In addition, he is Chairman of the Supervisory Board of Cordares N.V., Siers Groep B.V., Arriva Nederland B.V., and a member of the Supervisory Board of Nuon N.V., Huntsman Holland B.V., Noordelijke Ontwikkelijksmaatschappij N.V. and Stichting TNO. Mr. Koopmans is also a member of the Board of Stichting Administratiekantoor Unilever N.V. Mr Koopmans is professor at the Groningen University.

5. E.A.J. (Erik) van de Merwe (1950), Dutch nationality, was appointed in 2003. His current term expires in 2006. Mr Van de Merwe holds various supervisory board positions, amongst them Chairman of the Supervisory Board of Fornix BioSciences, Royal Rotaform, GWK, Nova Chemicals N.V., Exact Holding N.V., PCM Uitgevers B.V. and Royal Schouten Groep N.V. Furthermore, he is a member of the Supervisory Board of Mizuho Corporate Bank (Netherlands) a member of the Jury Sijthoff Award and a member of the Arbitration Committee Dutch Security Institute. In addition, he is a member of the Board of Directors of Vereniging Achmea, and Chairman of the Supervisory Board of Achmea Bank Holding N.V. and Staalbankiers N.V.

6. P.F.M. (Paul) Overmars (1945), Dutch nationality, was appointed in 2005. His current term expires in 2009. Prior to his retirement in 2004, Mr Overmars was CEO of Achmea and Vice Chairman of the Executive Board of Eureko. Mr Overmars is also a member of the Supervisory Board of Rabobank Nederland (as per 15 November 2005). In addition he holds the position of member of the Board of Directors Vereniging Achmea. Until 22 June 2005 he was Chairman of the Board of the Dutch Association of Insurers.

7. T. (Tommy) Persson (1948), Swedish nationality. Was appointed in 2003. His current term expires in 2007. He is CEO of the Länsförsäkringar Group (Sweden). Other positions include Chairman of EurApCo, Chairman of the Swedish Insurance Federation and Chairman of the Swedish Insurance Employers' Association. Furthermore, he is a Board member of Kaupthing Búnadarbanki hf and a Board member of the Stockholm Chamber of Commerce.

8. H.J. (Henk) Slijkhuis (1946), Dutch nationality, was appointed in 2003. His current term expires in 2008. Mr Slijkhuis is an independent farmer. He is a member of the Provincial States of Overijssel. He holds the position of Chairman of the Supervisory Board Countus Accountants- en Belastingadviseurs and is Chairman of the Agrarisch Onderwijscentrum 'De Groene Welle'. Furthermore, he is a member of the Supervisory Board of LTO-Vastgoed and member of the Board of Directors Vereniging Achmea.

9. A.J.A.M. (Antoon) Vermeer (1949), Dutch nationality, was appointed in 2005. His current term expires in 2009. Mr Vermeer is Chairman Board of Directors Zuidelijke Land – en Tuinbouw Organisatie and a member of the Maatschap Melkveehouderijbedrijf. He holds the position of Vice Chairman of the Supervisory Board of Rabobank Nederland and is Chairman of the Supervisory Board of Sovion N.V. In addition, he is a member of the curatorium of the ZLTO Chair Food, Farming and Agribusiness, Tilburg University.

10. B.J. (Bé) van der Weg (1943), Dutch nationality, was appointed in 2003. His current term expires in 2006. Mr Van der Weg also holds the position of member of the Board of Stichting PVF Nederland and is a member of the Board of Directors of Vereniging Achmea.

11. B.Y. (Bouke) Yntema (1943), Dutch nationality, was appointed in 2000. His current term expires in 2009. Mr Yntema is stockbreeder. He holds the position of member of the Advisory Council Agro Business Groningen/Friesland/ Drenthe and is Chairman of the Supervisory Board Rabobank Sneek Zuidwest Friesland. In addition, he is a member of the Board of Directors of Vereniging Achmea and of the Board of Stichting PVF.

Report of the Supervisory Board

Membership and duties of the Supervisory Board

The Supervisory Board of Eureko B.V. consists of a minimum of five members. The members of the Supervisory Board are appointed by the General Meeting of Shareholders on the basis of the Supervisory Board's nomination. With regard to one third of the members of the Supervisory Board, the right of recommendation of the Central Works Council applies. The Supervisory Board and the Central Works Council have entered into a covenant that further details the recommendation right of the Central Works Council.

The Supervisory Board's profile sets out the requirements concerning the expertise and the membership of the Board.

The duty of the Supervisory Board is to supervise the policies pursued by the Executive Board and the general course of affairs in Eureko.

Meetings of the Supervisory Board

In 2005, seven Supervisory Board meetings took place. At these meetings, matters such as the financial results, corporate strategy, the Group Business Plan (including Budget) and the developments in the Eureko Group were discussed. Furthermore, possible acquisitions, disposals and joint ventures were discussed, which led to, amongst others, the intensification of the co-operation with Rabobank and the merger of Interpolis with Achmea. Furthermore, the re-structuring of the health insurance system in The Netherlands and the impact hereof on the Group was discussed.

Representatives of KPMG Accountants N.V., Eureko B.V.'s independent auditor, attended the discussion regarding the 2004 Financial Statements, and the KPMG Management Letter.

Committees of the Supervisory Board

The Supervisory Board has four committees. These committees advise the Supervisory Board, which, in turn, bases its decision in part on this advice. The members of the four committees are listed in the table that follows.

Supervisory Board changes in composition

As per the date of the 2005 Annual General Meeting, Messrs J. (Johan) de Veer, T.J. (Ties) Koek, F. (Frank) Moerman, A.J. (André) Mulder, J. (Jan) Nijland, L.G.L.M. (Loek) Poell, P. (Piet) Wijnmaalen have stepped down as Chairman and members of the Supervisory Board respectively. As per the same date, A.M.C.H. (Arnold) Walravens was appointed as Chairman. Furthermore, in autumn 2005, Mr D. (Dimitrios) Contominas stepped down as a member of the Supervisory Board.

The Supervisory Board would like to thank Messrs, de Veer, Koek, Moerman, Mulder, Nijland, Poell, Wijnmaalen and Contominas for their valuable contribution to the Eureko Group; in particular Mr de Veer for his support and leadership as Chairman. He has served the Board diligently and well for ten years. He is owed a debt of gratitude.

Mr P.F.M. (Paul) Overmars was appointed as a member of the Supervisory Board as per 1 January 2005.

Due to the intensified cooperation with Rabobank, Messrs L. (Lense) Koopmans and A.J.A.M. (Antoon) Vermeer were appointed as members of the Supervisory Board as per 16 December 2005.
Mr M. (Marinus) Minderhoud was appointed as Vice Chairman of the Supervisory Board as per 16 November 2005.

Executive Board changes in composition

On 1 October 2005, G.J. (Gijsbert) Swalef retired as Chairman and CEO of Eureko B.V., but remained as an advisor to the Executive Board. As per the same date, M.W. (Maarten) Dijkshoorn was appointed as Chairman and CEO.

The Supervisory Board wishes to extend its thanks and gratitude to Mr Swalef for his outstanding contribution to the success of the Company over the past years.

Following the merger of Achmea and Interpolis, Mr C. (Kick) van der Pol was appointed as Vice Chairman of the Executive Board. Messrs H.A.J. (Huub) Hannen and R.T. (Roel) Wijmenga were appointed as members of the Executive Board. These appointments were formalised in November 2005.

Contacts with Dutch Central Works Council (CWC)

Various members of the Supervisory Board have attended the CWC by rotation in 2005. The Supervisory Board is of the opinion that the dialogue with the CWC is constructive and useful, and is held in an open atmosphere.

2005 Financial Statements and dividend

In accordance with the proposal of the Executive Board and the recommendation of the Audit Committee, the Supervisory Board recommends that the shareholders adopt the Financial Statements and the profit appropriation. As well as adopting the Financial Statements, the General Meeting is requested to discharge the members of the Executive Board from all liability in respect of their management and to discharge the members of the Supervisory Board from all liability in respect of their supervision for the year 2005. Upon adoption of the Financial Statements and the profit appropriation, ordinary shareholders will receive a dividend of EUR 1.41 per ordinary share of EUR 1.

Report of the Supervisory Board continued

Committees of the Supervisory Board

Committee and duties	Committee Members	
Audit Committee		
Preparatory work for the Supervisory Board, advises on financial issues	Erik van de Merwe	Chairman
	Marinus Minderhoud	member
	Bé van der Weg	member
Remuneration Committee		
Determines remuneration of the members of the Executive and Supervisory Board	Bouke Yntema	Chairman
	Marinus Minderhoud	member
	Henk Slijkhuis	member
	Lense Koopmans	member
	Arnold Walravens	member
Selection Committee		
Advises on the selection of candidates for the Executive Board and promotes the activity of the Executive Board	Arnold Walravens	Chairman
	Marinus Minderhoud	member
	Lense Koopmans	member
	Henk Slijkhuis	member
	Bouke Yntema	member

Corporate Governance

Eureko B.V. is a private company with limited liability, incorporated on 30 December 1991. Eureko B.V. has its statutory seat in Amsterdam and its head offices at Zeist, The Netherlands.

Dutch Corporate Governance Code

In December 2003 a new Corporate Governance Code was introduced in The Netherlands, containing principles of good corporate governance and best practice provisions. The Code applies to stock listed companies, but Eureko accepts that the Code also reflects on non-listed companies. A large number of the principles coming from the Code have been integrated in the corporate governance structure of Eureko. Integral application of the Code would lead to unwanted results such as reduced shareholder influence due to the specific structure of the Eureko Group and its co-operative origins.

The merger between Achmea and Interpolis will also have an impact on the corporate governance structure of Eureko. 2006 will be used to formulate a clear corporate governance policy.

Executive Board

Eureko B.V. is managed by the Executive Board. The members of the Executive Board are appointed by the Supervisory Board at the non-binding nomination of Stichting Administratiekantoor Achmea as holder of the A share. All Executive Board members have been selected because of their experience and competence in running a financial services company. The members of the Executive Board have been assessed by the Dutch Supervisory Authorities. The Articles of Association of Eureko B.V. do not contain any retirement rules.

The Executive Board is responsible for the management of the business of Eureko B.V. The Executive Board is responsible, and has the decision-making power, for managing the day-to-day business of Eureko in accordance with the principles set out in the Articles of Association. Internal procedures have been adopted for the Executive Board, which cover the duties, activities and allocation of tasks of the individual Executive Board members as well as the decision-making process within the Executive Board. The Executive Board meets on a weekly basis.

Supervisory Board

The members of the Supervisory Board are appointed by the General Meeting of Shareholders on the basis of the Supervisory Board's nomination. With regard to one third of the members of the Supervisory Board the right of recommendation of the Central Works Council applies. The Supervisory Board and the Central Works Council have entered into a covenant that further details the recommendation right of the Central Works Council.

The Supervisory Board has drawn up a recommendation for its size and composition, taking into account the nature of the enterprise, its activities and the requisite expertise and background of the members of the Supervisory Board. The Supervisory Board shall discuss the composition and any change thereto in the General Meeting and with the Works Council.

A member of the Supervisory Board shall resign at the end of the General Meeting of Shareholders held four years after his last appointment. A member of the Supervisory Board who has retired on rotation shall be immediately eligible for re-appointment. The Articles of Association do not provide for any retirement rules.

The duty of the Supervisory Board is to exercise supervision over the Executive Board's conduct of affairs and over the general course of the business enterprise connected with Eureko. Resolutions of the Executive Board as mentioned in Section 2:274 of the Dutch Civil Code require the approval of the Supervisory Board.

Remuneration

It is Eureko's policy to recruit and retain the highest calibre executives. A regular review of remuneration is carried out to ensure reward levels are appropriate to the duties and responsibilities of the role, including a suitable balance between fixed and performance-related elements of pay. In determining salary levels for executives, comparisons are routinely made across the industry sector within the countries in which Eureko operates.

Corporate Governance arrangements between shareholders

Pursuant to a shareholder's agreement and a number of other agreements that have been executed in connection with the Achmea/Interpolis merger, certain nomination and other rights have been agreed upon between shareholders.

Nomination rights as regards the Executive Board

As stated above, the members of the Executive Board are appointed by the Supervisory Board at the non-binding nomination of the holder of the A share.

In the merger agreement that has been executed in connection with the Achmea/Interpolis merger, it has been agreed that, at the time of the merger, the Executive Board will have a maximum of ten members whereby seven members, including the chairman and the second Vice Chairman, shall come from Eureko and three members, including the first Vice Chairman, shall come from Interpolis.

Corporate Governance continued

If within four years of the legal closing of the Achmea/Interpolis merger, a vacancy arises on the Executive Board, the shareholdings of Vereniging Achmea and Rabobank shall be taken into account when filling the vacancy, on the understanding that the candidate to be approved should have all the qualities required. Vacancies on the Executive Board that arise more than four years after the legal closing of the Achmea/Interpolis merger shall only be filled on the basis of the quality of the candidates.

Nomination rights as regards the Supervisory Board

With due observance of what has been stated above regarding the appointment of members of the Supervisory Board, the following has been agreed in a shareholder's agreement and in the merger agreement that has been executed in connection with the Achmea/Interpolis merger:
1. BCP is represented with one seat in the Supervisory Board.
2. Friends Provident has the right to have one representative in the Supervisory Board, but so far has not made use of this right.
3. Lansforsäkringar (Sweden), Gothaer (Germany), Covea/MAAF-MMA (France) and Swiss Mobiliar (Switzerland) are jointly represented with one seat in the Supervisory Board.
4. Rabobank is entitled to a representation in the Supervisory Board in proportion to its interest in the ordinary voting capital of Eureko. Rabobank may nominate the Vice Chairman of the Supervisory Board.
5. Vereniging Achmea is entitled to a representation in the Supervisory Board that equals the number of seats in the Supervisory Board that remain after the representations mentioned under 1 to 4 have been taken into account.

Co-ordination Committee ('Coördinatie Commissie')

Vereniging Achmea, Rabobank and Eureko have agreed in the Achmea/Interpolis merger agreement to establish a so-called Co-ordination Committee, with representatives of Vereniging Achmea and Rabobank. The Co-ordination Committee shall have among its aims to advise the Eureko Supervisory Board and the Eureko Executive Board on important issues.

The underlying principle is that the Co-ordination Committee neither affects the relationship between the Eureko Executive Board and the Eureko Supervisory Board nor the tasks and powers of the Eureko Executive Board and the Eureko Supervisory Board, as set out in the Articles of Association of Eureko and in the legislation and regulations. Furthermore, the Co-ordination Committee shall take the position of the other Eureko Shareholders into account.

The constituent meeting of the Co-ordination Committee has taken place.

General Meetings

An Annual General Meeting will be convened at a date to be decided by the Executive Board, the Chief Executive Officer or the Supervisory Board. In addition, a meeting can be convened by a shareholder holding more than 10% of the voting shares. Each share entitles the holder to one vote.

According to the Dutch Civil Code and Eureko's Articles of Association, shareholders in a meeting are, amongst others, authorised to resolve as follows:
1. To amend the Articles of Association;
2. To adopt the Financial Statements, including profits allocation and dividend, and to discharge the Executive Board for its management during the financial year concerned;
3. To discharge the Supervisory Board for its supervision during the financial year concerned;
4. To appoint the external auditor;
5. To decide on share issues or on the granting of rights to subscribe shares (or to designate the Executive Board to resolve on such issues or grants);
6. To exclude or limit the pre-emptive rights of shareholders upon an issue of shares or rights to subscribe for shares in Eureko (except if this power is delegated to the Executive Board);
7. To reduce the share capital of Eureko;
8. To appoint members of the Supervisory Board;
9. To dissolve Eureko;
10. To merge Eureko with another company;
11. To divide Eureko.

The items mentioned under 5, 6, 7, 9, 10 and 11 require the approval of Stichting Administratiekantoor Achmea as the holder of the A share.

Holders of depository receipts are entitled to attend the general meetings but they do not have voting rights. This provision does not apply to holders of a right of usufruct and holders of a right of pledge with voting rights. Shareholders and holders of depository receipts can be represented in the meeting by a proxy authorised in writing. The members of the Executive Board and the Supervisory Board are authorised to attend the general meetings, and they have an advisory role at the general meetings.

Dividend policy

Eureko aims to pay a stable (or slightly increasing) dividend per share. The basis for dividend is a, 'normalised net profit attributable to ordinary shareholders'. The distribution of profits is laid down in Article 34 of Eureko's Articles of Association, described on page 193 under, 'Other information'. Dividends are due and payable four weeks after the General Meeting has declared them (unless any other date is determined). The General Meeting may resolve that distributions shall be made in whole or in part in a form other than in cash. The General Meeting may resolve to distribute all or any part of the reserves. Interim distribution can be made if the General Meeting decides so on the proposal of the Executive Board.

Auditors

The external auditor of the Financial Statements is KPMG Accountants N.V.

Shareholders' Approval

The main shareholder and holder of the A share of Eureko B.V. is Vereniging Achmea via Stichting Administratiekantoor Achmea, holding 46.15% of the voting rights as of 1 January 2006. The majority of the decisions of the General Meeting of Shareholders of Eureko can only be made after the approval of the holder of the A share.

Shareholders' Equity

On 31 December 2005, the authorised share capital comprises of 739,999,999 ordinary shares, 1 A share, 10,000,000 M shares and 60,000,000 preference shares. The issued share capital consists of 311,116,016 ordinary shares, 1 A share, 6,667,240 M shares and 23,904,060 preference shares. There are special rights entitled to the A share. The M shares have been established to ensure that new shares can be issued to the holder of the M shares, without the other shares being able to exercise pre-emptive rights. In addition the M shares can also be cancelled. The M shares do not entitle the holder thereof to special voting rights.

The holders of ordinary shares, the A share, the M shares and the preference shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Use of Voting Rights

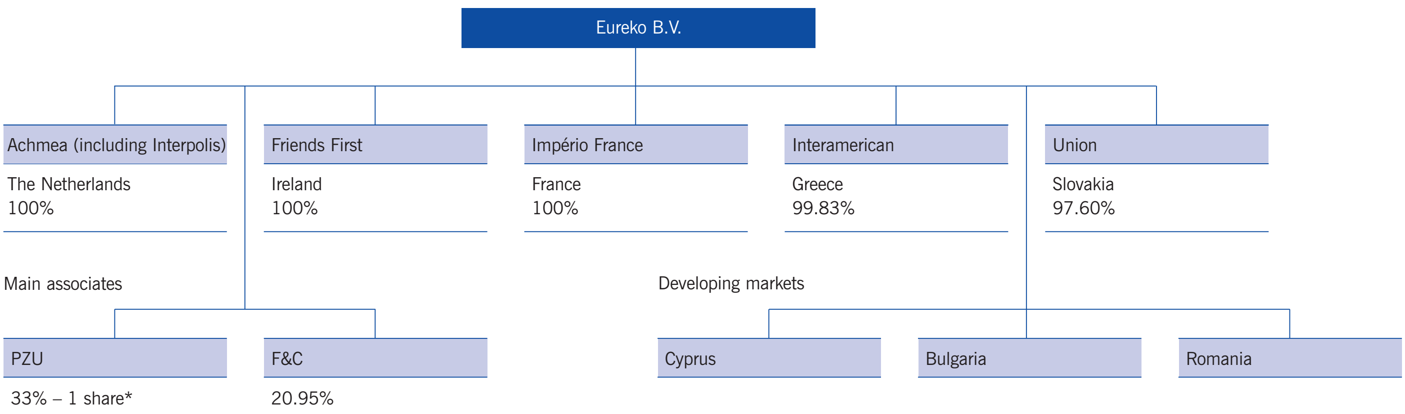
Eureko has to a large extent put its corporate investments under the management of external asset managers F&C Asset Management plc (in which Eureko has a participating share) and, following the acquisition of Interpolis, also under the management of Robeco and Interpolis Asset Management itself.

In accordance with corporate governance principles Eureko utilises as much as possible the voting rights it has as an institutional investor. In general, voting takes place on behalf of Eureko by the asset managers through electronic proxy voting in accordance with certain guidelines. These guidelines cover, amongst others, the following areas:

- environmental management and climate change (including sustainable use of natural sources and recycling)
- labour standards
- business ethics and human rights
- corporate governance.

To give further shape to its responsibilities as an institutional investor, Eureko has furthermore implemented as per 1 January 2006, for most of its equity investments, so-called responsible engagement overlays under which it, through its asset managers, engages in a constructive dialogue with the companies in which it invests, in the field of corporate governance and socially responsible entrepreneurship where relevant.

Organisational structure



* Regulatory approval sought to increase to 36.1%.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Overview 2005

Main Developments 2005

January
- Eureko completed the acquisition of the 10% stake in PZU from Bank Millennium, bringing Eureko's stake to 31.8%.
- Transaction dividend of EUR 250 million paid to Eureko shareholders (mainly related to the divestment of F&C Asset Management).

February
- Dutch Operating Company, Achmea, acquired the Health insurance activities of AKZO by taking over the shares in N.V. Ongevallen en Ziektekostenverzekeringsmaatschappij (OZF).
  As part of this transaction, the activities of the Onderlinge Waarborgmaatschappij 'Onafhankelijk Ziekenfonds Bedrijven' (OZB) were incorporated into the Achmea Group. (As a public Health Fund, it is not consolidated in the Financial Statements of Eureko.)

March
- Eureko published record earnings for the year 2004.
  Proposed final dividend on ordinary shares of EUR 184 million (or EUR 0.83 per ordinary share), in addition to the interim dividend of EUR 250 million (or EUR 1.13 per ordinary share).
- Press conference in Warsaw provided details of the situation around PZU and the on-going conflict between Eureko and the Polish Government. The 'White Book' was published, containing correspondence between Eureko and the Ministry of State Treasury, and other Polish governmental and regulatory agencies.

April
- Eureko and Rabobank signed a Letter of Intent to merge Achmea and Interpolis.
- Changes in Eureko's Executive and Supervisory Boards announced, as a result of Achmea and Interpolis merger. Three members of the Interpolis Executive Board would join Eureko's Executive Board and Rabobank would increase its presence on the Eureko Supervisory Board, from one to three members.
- Eureko sold its 10% stake in Novabank.

May
- Standard & Poor's upgraded Eureko B.V. and Achmea Holding N.V. to A–, (from BBB+), with stable outlook.

June
- Eureko presented its restated 2004 financials under IFRS.
- Interamerican Romania opened a private hospital in Bucharest, the first of its kind in Romania.
- Successful debut launch of EUR 500 million of Tier 1 Perpetual Capital Securities.
- Friends First Finance, Ireland, launched securitisation of EUR 250 million.

August
- Eureko announced 2005 interim results.
- International Court of Arbitration issued its verdict on the arbitration process of Eureko against the Republic of Poland. It found that the Polish State Treasury afforded insufficient protection to Eureko's investment in Poland and had acted 'outrageously'.

September
- Eureko and Rabobank signed merger agreement. It was agreed that Interpolis, the insurance subsidiary of Rabobank would be merged with Eureko's Dutch Operating Company, Achmea, in consideration of which, Rabobank increased its 5% shareholding in Eureko by 32%, bringing Rabobank's shareholding to 37%. A further exchange of members at Supervisory Board level was agreed.
- Eureko instigated a motion before the Polish Court, requesting the court to facilitate an amicable solution in the conflict between Eureko and the Ministry of State Treasury.

October
- Maarten Dijkshoorn succeeded Gijsbert Swalef as Eureko Chairman and CEO.

November
- Eureko announced formal closure of merger agreement with Rabobank, which was signed in September.
- Three new appointments to Eureko Executive Board from the Board of Interpolis: Kick van der Pol (First Vice Chairman), Huub Hannen and Roel Wijmenga.
- Two additional members from Rabobank, Messrs Lense Koopmans and Antoon Vermeer, were appointed to the Eureko Supervisory Board, making three representatives in total.
- Sale agreed of Argonaut, Achmeas' reintegration services.

December
- Achmea Zorg tendered for, and won, the health insurance activities of Shell.

Subsequent Events 2006

January

- In the Netherlands, under the new health case legislation, much of the public health system was privatised. The new legislation will significantly impact Achmea, which (for public health funds) had a premium volume in 2004 of some EUR 3.3 billion. Achmea acquired these former public health funds or 'ziekenfondsen', namely Zilveren Kruis Achmea Zorgverzekeringen N.V., Groene Land PWZ Achmea Zorgverzekeringen N.V. and OZB Zorgverzekeringen N.V.
- Eureko reached agreement with Manchester Securities Corporation to purchase Manchester's 4.3% holding in PZU, taking Eureko's total stake in PZU to 36.1% (subject to approval of the Polish regulator).
- A court hearing before a commercial court in Warsaw, initiated by Eureko in September 2005, to try to reach an amicable solution to the conflict between Eureko and the State Treasury, was scheduled. On the date, the Polish State submitted no proposals, citing the resignation of the Minister of State Treasury as the reason for being unable to do so. The judge directed the Polish State to submit a proposal for a settlement by 1 February 2006. On the due date (1 February), the Minister of State Treasury submitted its pleading to the Court, in which it declared its refusal to compromise with Eureko and did not submit any proposals itself to end the conflict. The proceedings in the second part of the arbitration will resume (the award of damages). An initial calculation shows that the amount claimed will be a minimum of EUR 1.5 billion.
- Eureko has not altered its demands for PZU to go to an IPO and for Eureko to acquire a further 21% of PZU shares. Under the proposals from Eureko, and in line with the government's failure to hold the IPO of PZU – as contained in the Privatisation Agreement – these shares would be acquired at the 2001 value, as opposed to current market value (which is stipulated in the First Addendum from the Ministry of State Treasury). Eureko's proposals are also contingent on a PZU IPO being held in the short term.
- Eureko and Akzo Nobel reached agreement (in principle), by which the whole of Akzo Nobel's pension fund administration and asset management will transfer to Achmea. The pension fund has some 32,000 members and 19,400 pensioners. Assets under management are worth EUR 4.7 billion.
- As of January 2006, Eureko has established a charitable Foundation, in which 0.5% of Eureko's annual net profits will be invested.

February

- As a result of the merger of Interpolis and Achmea, as well as a planned efficiency increase at Achmea, an expected reduction of 2,500 to 3,000 permanent jobs over the next three years was announced.

March

- Standard & Poor's, the rating agency, affirmed Eureko's ratings and improved the outlook to 'positive' from 'stable' Holding entities at A-, outlook positive; core insurance entities at A+, outlook positive, on 17 March 2006.
- On 22 March 2006, Achmea announced it had increased the number of Health insured in The Netherlands by almost 430,000, to 3.3 million insured.

Report of the Executive Board

Introduction

Eureko B.V. has evolved from an alliance of like-minded, independent insurance companies with parallel goals into a dynamic and trend-setting European group with operating and associate companies either owned outright or in which it has significant holdings. We took a significant step in 2005 when our Dutch Operating Company, Achmea, merged with Interpolis to create a formidable market leader in The Netherlands. This and our existing presence in Central and Eastern Europe offer a springboard for powerful future expansion.

In this report we evaluate the effects of the merger with Interpolis, the business development across the business lines of Life, Non-Life, Health, and Banking and Consumer Finance, and the future outlook.

The 2005 results are the first full set of Financial Statements under IFRS (International Financial Reporting Standards), as endorsed by the European Union and are prepared in accordance with accounting principles stated in the Notes to the Financial Statements. The figures presented for each company are also prepared under these accounting principles. Differences between local accounting principles and those used by Eureko may occur.

Eureko enjoyed a highly successful 2005, realising a 114% rise in profit before tax and discontinued operations to EUR 826.1 million and a 14.1% increase in gross written premiums to EUR 6,577.4 million. Non-Life had very strong results, due to excellent claims ratios and stringent cost control. The Health business also grew further, increasing gross written premiums and net income. Other key performance drivers included a greater contribution from Poland's PZU, in which we have increased our stake to 33% (minus 1 share) in 2006.

The Life sector remained under considerable pressure and new business generation was not satisfactory. We are refining our product range in The Netherlands to focus on the most profitable areas of business, as well as maintaining strict cost control. Profitability has begun to recover at Interamerican in Greece, thanks to a comprehensive re-structuring programme designed to re-organise the agency network, reduce costs, increase organisational efficiency and concentrate on the tied agents' organisation, as well as developing other distribution channels. This recovery is not yet visible in the 2005 results.

Whilst the Irish banking portfolio has increased, the Dutch retail and corporate lending portfolio is decreasing, primarily because clients are re-negotiating their mortgages to take advantage of the low interest rates. However, the re-structuring of Staalbankiers has been effective and results have improved.

Equity was strengthened further in 2005, growing to EUR 8.5 billion. In November, the equity value increased by EUR 3.35 billion as a result of the issue of shares to finance the acquisition of Interpolis.

In 2004, shares subject to re-purchase agreements were categorised as liabilities. Under IFRS, these shares were not part of shareholders' equity. Early in 2005, by the re-structuring of capital, these shares subject to re-purchase agreements were re-classified and again became part of shareholders' equity which had an effect on the risk associated with these instruments. This temporary re-classification had a negative effect of EUR 87.9 million (interest expense) on Eureko's 2004 results.

If the Interpolis merger and the effect of shares subject to re-purchase agreements are disregarded, then Total equity increased by 28%. This increase is due to three main drivers, of which the contribution from net income is the most important; the others being the re-valuation of investments and the issuance of Tier 1 capital.

The EUR 500 million debut issue of Tier 1 qualifying Perpetual Capital Securities in June, was highly successful, and was three times oversubscribed – a gratifying market affirmation of Eureko's turnaround, as well as a sign of market confidence in Eureko's strategy. Debt leverage declined from 13% to 10% in 2005. Return on average equity remained satisfactory at 12.7% compared with 10.9% in 2004. Earnings per share (continuing operations) increased by 79% to EUR 3.11.

Overall, the positive financial results validate our strategic decision to focus on selective growth, both organic and non-organic, while maintaining profitability and reducing cost levels. They attest to our success in re-structuring the Group to focus on its core insurance business.

In May 2005, Standard & Poor's, the rating agency, upgraded Eureko's counter party credit rating to 'A–', with a stable outlook. (In March 2006 S&P revised the outlook to 'Positive').

Financial Performance per Company

Net Profit by Company

EUR million	Net Profit 2005	Net Profit 2004
Achmea (incl. Interpolis)	488.7	254.2
Friends First	29.3	20.8
Império France	2.7	2.6
Interamerican	–58.2	0.4
Union	1.4	0.7
Interamerican Romania and Bulgaria	–2.9	–1.8
Other Operating Companies	–0.6	2.1
Operating Companies	**460.4**	**279.0**
PZU	270.0	110.5
Friends Provident	3.6	5.4
MillenniumBCP (dividend)	12.4	14.5
Other Associates	–4.0	18.0
Associate Companies and Strategic Investments	**282.0**	**148.4**
Net interest income/expenses	–17.0	–126.1
Other	4.7	–22.6
Net profit before discontinued operations	**730.1**	**278.7**
Discontinued operations	**–12.8**	**743.8**
Net profit after discontinued operations	**717.3**	**1,022.5**
Effects Merger Accounting Acquisition Interpolis	–11.4	
Net Profit	**705.9**	**1,022.5**

Dutch Merger

The merger between Achmea and Interpolis, formerly the insurance subsidiary of Rabobank, made Eureko the Dutch market leader, with the number one position in Non-Life (including Health) and number two in Life. We are the leading direct writer; number one in bancassurance, the leading insurer in the employee benefit channel, and a top five player on the intermediary market, where we plan to grow further. We have the strongest insurance brands and most diverse business mix in The Netherlands.

Achmea and Interpolis are a perfect fit, with highly complementary cultures, product and distribution strengths and limited overlap. The merger and the existing strategic alliance with Rabobank provides a very strong position in bancassurance, via the local Rabobanks, in addition to our direct writing and intermediary channels. The Rabobank channel will offer even greater synergy opportunities in the years to come, both in The Netherlands and elsewhere in Europe. The combination of Interpolis with Achmea makes Achmea by far the biggest pension fund administration company in The Netherlands and our focus now is on growth in the corporate pension fund market.

The energetic, highly motivated cultures common to both Achmea and Interpolis have helped integration proceed apace since the merger agreement was completed in November. We are determined that our customers should suffer no disruption as a result of the merger; on the contrary, we will serve them with more and better products through more channels. As a Group, we will remain focused and in pursuit of new growth opportunities and increased share of a financial services market that we expect to consolidate increasingly in coming years. We will standardise products and technology in The Netherlands, share services and improve back-office efficiency, and expect concrete synergy benefits to start appearing in our financial results from 2007.

Internally, the integration of Interpolis and Achmea will be a prime focus in 2006 but clients will experience ‘business as usual’. Our commitment to a smooth merger will not divert our attention from the all-important activity of improving and increasing our product offering and distribution channels. We will strike a balance between exploiting the significant synergy opportunities of the merger and continuing to offer impeccable client service.

Report of the Executive Board continued

We will focus on organic growth in The Netherlands, harnessing the enormous power of the Internet to boost our position as a direct writer and increasing our business in the bank channel. A key element of our Dutch strategy is to become a more prominent player in the intermediary channel, by investing in this channel and its associated brands. Efficiency gains and increased productivity are crucial for growth in the highly competitive Dutch market.

Clients increasingly want to choose their own products and channels, and demand easy access to services, and value for money. Our scale and all-finance offering makes Achmea the ideal solution provider. Commercial vitality and operational excellence form the basis of value creation for all our stakeholders: customers, shareholders, distribution partners and staff.

Other European Operations

Our other Operating Companies are concentrating on initiatives to revive commercial vitality and offer enhanced services, particularly in our Life and Occupational Health businesses, where market conditions are challenging throughout Europe.

In France, Império services a small but important niche market, providing products to the Portuguese community there.

Friends First is a powerful player on the vibrant, opportunity-rich Irish market. One of Ireland's most dynamic and successful financial services groups, Friends First has established itself as a prominent player in both the Life and Pensions and the Asset Finance markets.

The Interamerican Group is one of Greece's largest Life and Health insurance companies with a market share of 14% and is the fourth largest player in Non-Life. The Greek market remains challenging but offers good growth opportunities, especially in multi-channel distribution, although the tied agents' network will remain the core distribution channel for Interamerican. Though past performance at Interamerican has been disappointing, thorough re-structuring, under a new management team, aims to ensure it makes the positive contribution that the Eureko Group demands of all its Operating Companies. However, under IFRS, the 2005 net profits record a strong negative impact.

Central and Eastern Europe

Outside The Netherlands, we will be seeking strong growth, especially in Central and Eastern Europe. Poland is crucial to that strategy. We are deeply committed to both the country and to the PZU Group, which is the largest insurance institution not only in its domestic market but also in Central and Eastern Europe. PZU has defied sceptics to maintain its overwhelmingly dominant market share and high margins, and continues to perform well and grow even more strongly.

We are convinced that Poland will be a valuable home market for Eureko and we continue to strive to come to an acceptable solution with the Polish government to settle our dispute. We were greatly satisfied with the verdict of the International Court of Arbitration in August 2005, which recognised that the Polish State Treasury afforded insufficient protection to Eureko's investment in Poland, whereby it breached several provisions of a 1992 Treaty between The Netherlands and Poland for the protection of foreign investors. Eureko is now preparing the second phase of this procedure, this being the calculation and award of damages. Unfortunately, the Republic of Poland seeks every means to delay the execution of the existing agreements, including delaying the second phase of the arbitration.

Acquisition of a majority stake in PZU, as originally envisaged in our strategy, would open the door to further expansion across Central and Eastern Europe. We also have developing companies in Slovakia, Cyprus, Bulgaria and Romania, where, in 2005 we opened the first private, full-service hospital in Bucharest. Further growth in Central and Eastern Europe will be achieved through carefully selected strategic acquisitions or start-up companies, whereas in mature markets, we have a partnership approach which may be supplemented with Mergers and Acquisitions.

Risk Management

The Executive Board gives high priority to risk management and risk control. For this reason risk management and control procedures are in place within all levels of the Group. The Executive Board manages the overall risk profile, aiming for good balance between risk, return and capital. At Group level several committees are responsible for the monitoring on insurance risk and, especially regarding financial instruments, the market risk, credit risk and liquidity risk. In this way management is ensured that risks are being measured, monitored and reported adequately and effectively. The risk management aims, policies and monitoring instruments are set out comprehensively in the Financial Statements.

Corporate Standards

As CSR (Corporate Social Responsibility) becomes even more important in the framework of ethical corporate behaviour, Eureko and its Operating Companies are firmly committed to implementing and upholding the highest standards.

Eureko's employees are the mainstay of the organisation. With the merger of Interpolis into the Group we now have some 20,000 staff across the Group. They have been instrumental in taking the Company's strategy forward and are dedicated to the achievement of our goals. We recognise their on-going support, which enables us to give proper attention to our other stakeholders – customers, shareholders and distribution partners. Each employee is a significant contributor to the overall success of the company.

Outlook

Eureko's strategy remains broadly unchanged; we will remain focused on our core business of insurance and will exploit growth opportunities in our mature European markets, consolidating our leading position. We will investigate further possibilities of intensive co-operation with like-minded partners, such as Rabobank, as well as seeking suitable M&A opportunities.

We will continue to seek expansion in Central and Eastern Europe, especially in connection with our investment in PZU.

We remain open to the possibility of a stock market listing if the conditions are appropriate and if it fits with our development strategy.

The fiercely competitive insurance market, especially in The Netherlands, where we generate 88% of our total revenue, will demand our vigilance in the coming year. We foresee a softer claims market, as increased competition erodes prices. In Eastern Europe, there is an expectation of strong growth, despite unstable economies.

The new regulatory landscape in The Netherlands, where new government initiatives for health care, disability, pensions and 'Levensloopregeling' (Life Cycle Plan) have created a tough and uncertain climate for the sector, will also continue to pose challenges.

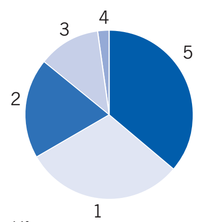
Our results for 2005 show that we are well placed to leverage our position to achieve a competitive advantage and to capitalise on the possibilities presented by the Achmea and Interpolis merger.

We anticipate that 2006 will reflect the success of the measures we have taken to address the increasingly competitive environment and that we shall build on our strengths. Overall, we expect GWP to exceed the statutory 2005 figures, especially with the inclusion of Interpolis. Expected synergies from the merger of Achmea and Interpolis are not yet anticipated in 2006, but expect to have an impact in 2007/2008. The Life sector remains an uncertain market, but the opportunities presented by the new Dutch legislation provide a platform for expansion. In Health, following the introduction of the new health system, Achmea has had a very positive start, but the full impact of the new legislation has yet to be felt, and profitability is still uncertain. In Non-Life we expect some pricing pressure and, as a consequence, 2006 results may experience some pressure. We will strive to retain the balance between our cherished co-operative credentials and market performance. Eureko is an innovative, customer-focused and market-oriented Company in excellent financial shape.

Financial Analysis

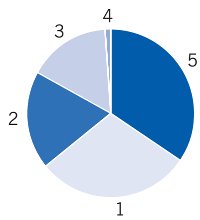
Net Profit – Excluding Discontinued Operations

Breakdown of Net Profits per Business Line – 2005



1 Non-Life	33%
2 Life	21%
3 Health	13%
4 Banking	2%
5 Associates	31%

Breakdown of Net Profits per Business Line – 2004



1 Non-Life	35%
2 Life	18%
3 Health	16%
4 Banking	1%
5 Associates	30%

Net profit increased significantly from EUR 278.7 million to EUR 730.1 million, mainly driven by the strong results from Non-Life and Health Services (both as a result of a low claims ratio and tight cost control), and the contribution from PZU.

Results from Life also increased over 2004, but were negatively impacted by the re-structuring at Interamerican, the interest rate movement in the first half of 2005, and an additional provision for Health products in the Life segment at Interamerican.

PZU maintained its solid contribution to Eureko. The drivers of this are mainly strong performance in the commercial, operational and investment areas.

PZU's commercial performance, in both Non-Life and Life further improved in 2005. Improvements in operational performance resulted in lower claims ratios. The increased contribution from PZU was due, not only to the acquisition of an additional 10% of shares, but also because of higher investment income. Obviously, this contribution would have been substantially higher if the PZU privatisation would have been executed in accordance with the agreements made with the Polish State.

Merger Accounting

The merger of Achmea and Interpolis is considered as a business combination under IFRS. This means that specific accounting rules (IFRS 3) are applicable for the transaction accounting. As such, Eureko is recognised as the acquirer in the transaction, as it is obtaining control over Interpolis, the acquiree. Eureko is purchasing the net assets of Interpolis and recognises all the assets acquired and [contingent] liabilities assumed, including those not previously recognised by Interpolis. Those assets not previously recognised by Interpolis include intangible assets such as the Interpolis brand,

Report of the Executive Board continued

customer relationships, and the distribution channels of Rabobank and brokers.

The recognition of all the assets acquired, including the intangible assets and liabilities assumed should, under IFRS, be done at their fair value at the date of acquisition, from the perspective of an average market participant, which might be different than from the perspective of Eureko. The fair value of the intangible assets is, in principle, amortised over the remaining lifetime.

As of 1 November 2005, Eureko's shareholders' equity increased by EUR 3,350 million. This increase in Equity was made possible through the issue of Eureko shares, which was necessary for the financing of the transaction price.

The difference between the transaction price* (EUR 3,350 million) and the fair value of net assets and the subsequently recognised intangible assets (EUR 1,804 and EUR 542 million) has been recognised as Goodwill (EUR 1,004 million).

The financial consequences for Eureko are not limited to 2005 only, as the intangible assets will be amortised in the years following. The goodwill will not be amortised but will be subject to an annual impairment test.

Financial Consequences 2005

As a result of the merger with Interpolis, shareholders' equity increased by EUR 3,350 million in 2005. The effects on the Consolidated Income Statement were limited to two months of results and depreciation of intangible assets, amounting to EUR 11.4 million.

Net Profit – Discontinued Operations

In 2004, Eureko sold its Belgian bank, Europabank, to Landbouwkrediet as part of a re-structuring to focus the banking business on private and retail banking. F&C Asset Management merged with ISIS Asset Management plc, with Eureko retaining a significant minority shareholding in the new combination.

In 2005, several smaller operations were divested, in line with portfolio management strategy. This resulted in the sale or re-structuring of some assets that performed below par or did not have a strategic fit.

Operating Results by Business Line: Life

Key Figures – Life	2005	2004
EUR million		
Gross Written Premiums	2,807.2	2,311.7
Technical Result	30.0	115.6
Profit Before Tax	201.5	184.9

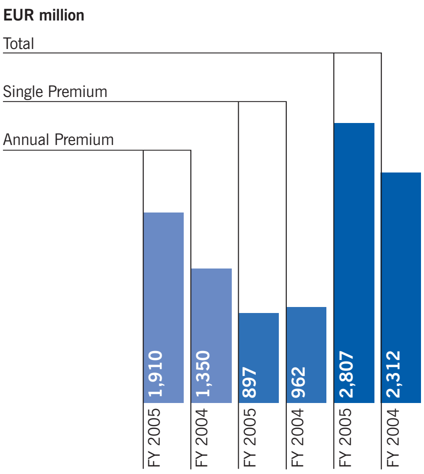
Introduction

Eureko's Life activities operate in The Netherlands, Greece, Ireland, France, Slovakia, Romania and Cyprus. The merger between Achmea and Interpolis created the second-largest Life insurance company in The Netherlands.

Commercial Development

In The Netherlands, the market for Life insurance products declined in 2005 as a result of fiscal treatment changes. Products for early retirement have become less attractive as most fiscal benefits were withdrawn. As of 1 January 2005, the extent to which Life Pensions premiums paid were tax-deductible was limited. New pensions legislation on early retirement ('vroegpensioen') in The Netherlands and limited salary increases also had a negative impact on the Gross Written Premium development in 2005. However, legislative changes with respect to 'Levensloopregeling' (Life Cycle Plan) are expected to have a positive impact on 2006 gross written premiums.

Gross Written Premiums
Life



* Including directly related project costs

Gross Written Premiums

In 2005, Gross Written Premiums increased by 21.4%, from EUR 2,311.7 million to EUR 2,807.2 million, including EUR 437.9 million of premium contribution from the newly merged Interpolis. The market continued to be difficult (especially for unit-linked business).

In 2005, **Achmea** operations focused on long-term value-creation, thus on profitable products. Sales of high-volume, low-margin products were reduced. In respect of annuities (Direct Ingaande Lijfrentes) and collective guaranteed pension agreements, Achmea elected not to follow the downward pressure on margins (this is illustrated in the table showing the breakdown of Life premiums on the previous page). Achmea will focus mainly on the sale of value-creating products in the small and medium-size business sector, through the intermediary channel and via mortgage-related products through its Bank distribution channel. Achmea will re-enter the area of price-sensitive products when they become value-adding once more. Gross Written Premiums in The Netherlands increased by 27.3% compared with 2004. In comparison with 2004, excluding the merger with Interpolis, the increase would have been 2.5%. At **Interpolis**, Gross Written Premiums decreased. Life products are often sold in combination with mortgages through the Rabobank channel. The sale of these products also reduced, explaining the reduction in the level of Gross Written Premiums.

Interamerican's market share was under pressure in both 2004 and 2005. Premium collection in 2005 increased by 3.5%, from EUR 169.3 million in 2004, to EUR 175.3 million in 2005. This increase was achieved despite fierce competition in the Greek market as a whole.

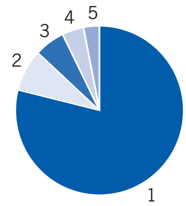
Premium collection at **Friends First** increased by 0.9% during 2005, with Gross Written Premiums at EUR 231.4 million, compared with EUR 229.3 million in 2004. The main premium growth was realised in investment-only contracts (11% under local GAAP). These premiums, however, do not contribute to Gross Written Premiums, under IFRS. Friends First focuses on profitable product combinations and is successful in launching new, value-creating products.

For **Interlife Cyprus, Império France**, and the start-up companies (in Slovakia, Romania and Bulgaria), steady growth was realised, of 14.3%, 1.8% and 8.5% respectively.

Net Profit – Life

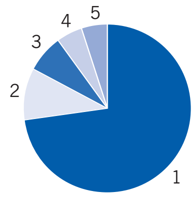
In 2005, profitability in Life operations improved from EUR 184.9 million in 2004 to EUR 201.5 million in 2005, despite a decrease in the technical result by EUR 85.6 million (74.0%), from EUR 115.6 million in 2004 to EUR 30.0 million in 2005. The decrease in the technical result is largely due to an additional provision for health products linked to Life sales at Interamerican (EUR 33.0 million). This decrease was fully offset by an increase in the non-technical result, mainly driven by higher capital gains on equities and property.

Gross Written Premiums per territory – 2005



1 Benelux	79%
2 Ireland	8%
3 Greece	6%
4 France	4%
5 Others	3%

Gross Written Premiums per territory – 2004



1 Benelux	73%
2 Ireland	10%
3 Greece	7%
4 France	5%
5 Others	5%

In 2005 **Achmea's** profit before tax and discontinued operations increased by 62.1%, from EUR 165.9 million in 2004 to EUR 269.0 million in 2005. The increase in the results was mainly driven by capital gains on equities and property. The positive effects of projects begun in 2004/2005 to increase commercial vitality became apparent during the course of 2005. The results were negatively impacted by an additional provision for interest risk. Due to low interest rates, additional provisions were made for certain collective products with guaranteed yields. **Interpolis**' results remained stable although they are still sensitive to volatility in interest rates.

Profit before tax at **Interamerican**, under IFRS, decreased by EUR 89.2 million in 2005, from EUR –2.6 million in 2004 to EUR –91.8 million in 2005. The main contributors to the decrease were the negative impact of interest rate reductions. This meant that an additional provision was needed (EUR 33.0 million) for traditional Life products. Additionally, a provision was made (EUR 53.0 million) for products linked to Life sales. Additional expenses were made relating to significant one-off costs in relation to a reduction in FTEs. In line with portfolio management, a number of Associates were sold, with positive capital gains as a result. Excluding non-recurring items, the results were positive.

Friends First continued its solid financial performance in 2005, where profit before tax of EUR 19.9 million was realised, which is an increase of 32.6% compared with 2004 (EUR 15.0 million). **Friends First** is the largest insurer in the PHI (Permanent Health Insurance) segment, which is also a main contributor to the increase, compared to 2004. Results from this segment were positive due to the high claims results realised. **Friends First** remains the benchmark operation for Eureko's Life business. Value creation is the main focus, where the benefits of product value and analyses have paid off both in Profit Before Tax and value creation.

Report of the Executive Board continued

The net profit of **Império France** and **Interlife Cyprus** (niche companies), Union, and start-up companies in Romania and Bulgaria decreased by 28.6% from EUR 4.2 million in 2004 to EUR 3.0 million in 2005. This was mainly due to efforts at commercial revitalisation. The impact on Eureko results is limited.

Embedded Value of the Life Business of the Eureko Group

The following information is a high level overview of the development of the Embedded Value in 2005. Eureko's full Embedded Value report 2005 will be published separately and is to be reviewed by Deloitte.

An embedded value provides an estimate of the value of the shareholders' interest in a life insurance operation, excluding any value that may be generated from future new business. The embedded value is the sum of the shareholders' net worth (required capital plus free capital surplus) and the value of in-force business.

Eureko has adopted the European Embedded Value ('EEV') principles published by the CFO Forum, a group representing a number of leading European insurers, for the valuation of the business in the Life segment as at the 31 December 2005. The results published as at 31 December 2004 have been restated in line with these principles and in accordance with IFRS accounting principles.

On 15 November 2005 Eureko legally acquired Interpolis, the insurance subsidiary of Rabobank. Interpolis's Life business results have been prepared on the Eureko basis and have been consolidated into the Eureko embedded value figures from 1 November 2005 onwards.

Covered business

The covered business is all business reported as Life business to the local regulators in the territories in which Eureko operates, with the exception of Interamerican's Medi business that is classified in these Financial Statements as health business. All other rider business attached to Life policies is included. For reasons of materiality, the Life businesses for the smaller Operating Companies, e.g. Romania, Cyprus and Luxembourg have been included at their shareholders' net worth.

Embedded Value Summary

The table of results that follows shows the Embedded Value of Eureko's Life operations at 31 December 2005 and 31 December 2004.

EUR million	2005 including Interpolis	2004 restated	2004 published
Embedded Value	**4,536.9**	**2,348.2**	**2,744.5**

The main reason for the increase in value compared with 31 December 2004 is the inclusion of Interpolis. The re-statement of the 31 December 2004 value is as follows:

EUR million	
Application of EEV principles	–382
Other model changes	–14
Total	**–396**

The main causes of the adjustments for European Embedded Value were the inclusion of an explicit value for the financial options and guarantees and a higher cost of locked in capital as a result of using an estimate of the required capital using a risk based assessment rather than the required minimum solvency margin.

Embedded Value Profit

The embedded value profit is the change in embedded value of the Life operation from start of year (as re-stated above) to end of year adjusted for any dividends from or capital transfers to the Life operation and for exceptional items. The total profit recognised over the lifetime of a policy is the same as under the statutory basis of reporting but the timing is different. The table overleaf shows the main components of the embedded value profit for 2005 and the main drivers.

The main source of Operating Return was the introduction during 2005 of higher premium rates for group pensions contracts reflecting the higher cost of annuities implied by the latest annuitant mortality table for The Netherlands. The economic profit was largely generated by higher investment returns than had been assumed in the model, mostly on equities.

EUR million	Eureko	
Embedded Value at start of year (after model changes and re-statements)	2,348.2	
Operating Return after tax	411.3	New tariff at Group Pensions Achmea
Economic profit after tax	329.2	Higher than expected investment returns
Embedded Value profit after tax	740.5	
Exceptional Items	1,484.2	Inclusion of Interpolis
Dividends & Capital movements	–35.9	
Embedded Value at end of period	4,536.9	

Value added by new business

The value added by new business (VNB) is an important part of the Operating Return. It is the present value at the risk discount rate, of the projected stream of after tax distributable profits from business sold in the relevant year. The VNB has been calculated using the same assumptions as those used to determine the embedded value and is, therefore, based on end of year assumptions and at point of sale. The VNB provides an insight into the expected profitability of the sales of the applicable year.

The table of results below shows the value added by new business of the Eureko Life operations during 2005 (including Interpolis from 1 November 2005) and during 2004. New business margins are calculated as the ratio of the VNB to the present value of new business premiums calculated on the embedded value assumptions.

EUR millions	2005 including Interpolis for 2 months (2005 assumptions)	2005 excluding Interpolis (2004 assumptions)	2004 published
Value added by new business	–0.8	–3.1	–5.1
New regular premiums	171.6	153.1	143.5
New single premiums	850.8	724.8	681.2
Present value of NB premiums	1,757.9*	not calculated	1,446.6
New business margin	–0.3%*		–0.4%
New business APE (annual premiums + 10% single premiums)	256.7	225.6	211.6
Value added by new business as a % of APE	–0.3%	–1.4%	–2.4%

* excluding Interpolis

A negative value of new business means that the after tax return on new business written is expected to be less than the risk discount rate, based on the assumptions made. It does not necessarily mean that such business is loss-making.

The Value of New Business has improved as a result of annuity re-pricing at Achmea, a strong result from Friends First, based on successful new product launches and the addition of two months' new business from Interpolis. These were partially offset by the impact of the new assumptions, mainly lower future interest rates. Inclusion of the full year of new business of Interpolis would give a Value of New Business of EUR 18.9 million and a margin of 7.4% of APE.

The 2004 assumptions shown in the table below are those used for the embedded value results, i.e. the results re-stated after implementing European Embedded Value Principles.

The risk discount rate is set using a top down approach to derive the Weighted Average Cost of Capital (WACC).

Investment return assumptions are set actively based on 10 year government bond returns. Adjustments are made to these to reflect the actual bond portfolios held. For the embedded options that depend on fixed income measures, the appropriate volatility curve at the moment of valuation is obtained from the swap market. In the case of Interamerican (Greece), the profit sharing also depends on the return from equity dividends. An appropriate assumption has been made about the volatility for this element.

Expense inflation is based on available data and forecasts for long-term price inflation. This is adjusted to reflect the proportion of staff costs contained in expenses and the expected difference between wage and price inflation.

Current tax legislation and rates have been assumed to continue unaltered, except where changes in future tax rates have been announced.

Other Assumptions

The assumed rates of mortality, morbidity, lapse, surrender, conversion to paid-up and early retirement have been derived from analyses of the Life operations' recent operating experience and industry studies. An allowance is made for secular trends in annuitant mortality.

Expenses are based on recent experience. The management expenses attributable to Life operations have been split between expenses relating to the acquisition of new business and to the maintenance of business in-force.

The calculation of embedded values necessarily makes numerous assumptions with respect to economic conditions, operating conditions, taxes and other matters, many of which are beyond the Company's control. Although the assumptions used represent estimates that Eureko believes are together reasonable, actual future experience will vary from that assumed in the calculation of the embedded value results, and such variation may be material. Deviations from assumed experience are normal and are to be expected.

Any changes as a result of the merger of Achmea and Interpolis have not been taken into account.

Principal Economic Assumptions

	Achmea & Interpolis (Netherlands)		Friends First (Ireland)		Interamerican (Greece)		Império (France)		Union (Slovakia)	
(% p.a. except tax rate)	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Risk discount rate	6.66*	7.02	6.63	6.98	7.73	8.13	7.21	7.57	9.57	10.50
Pre-tax investment returns										
Government fixed interest	3.30	3.66	3.27	3.62	3.37	3.77	3.35	3.71	3.71	4.64
Equities	6.80	7.16	6.77	7.12	6.87	7.27	6.85	7.21	7.21	8.14
Property	5.30	5.66	5.27	5.62	5.37	5.77	5.35	5.71	5.71	6.64
Expense inflation	2.50	2.50	3.00	3.00	3.30	3.30	2.80	2.80	3.00	3.00
Tax rate	29.60	31.50	12.50	12.50	25.00#	25.00#	34.00	34.00	19.00	19.00

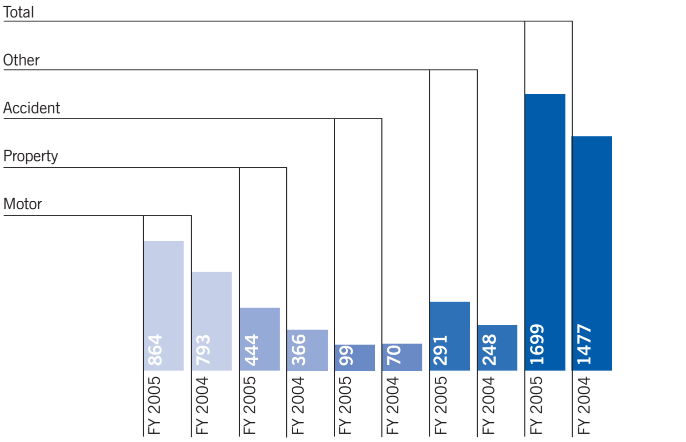
* The risk discount rate for Achmea Group Pensions business was 6.91%.
# The corporate tax rate for Greece will be reduced to 25% by 2007 and this is allowed for in the calculations.

Report of the Executive Board continued

Operating Results by Business Line: Non-Life

Key Figures – Non-Life	2005	2004
EUR million		
Gross Written Premiums	1,698.6	1,477.4
Technical Result	292.2	227.0
Profit Before Tax	320.7	246.6
Claims Ratio	64.4%	67.5%
Expense Ratio	25.5%	25.1%
Combined Ratio	89.9%	92.6%

Gross Written Premiums per Type



Introduction

Eureko engages in Non-Life activities in The Netherlands, Greece, Slovakia, Romania, Bulgaria and Cyprus. Non-Life continues to represent an important share of Eureko's total business, representing 25.8% of total Gross Written Premiums (2004: 26.7%). This share decreased due to Interpolis' larger share of Gross Written Premiums in the Life segment.

Commercial Development

Eureko maintained its leading position in the Dutch market. In The Netherlands, the level of premiums increased although the market showed signs of softening.

Positive developments were noted within the Eastern European and Cypriot markets where, on the whole, commercial performance, in the form of Gross Written Premiums, improved.

Gross Written Premiums

Across Eureko the Non-Life portfolio has been further diversified, which, in combination with a low combined ratio, led to a sustained competitive advantage. (It should not automatically be assumed that the excellent combined ratio will be repeated in 2006). This competitive advantage was achieved and remains sustainable due to the efforts made to increase expertise in claims handling and risk selection, and in maintaining a competitive expense base. Moreover, the multi-channel distribution strategy safeguards the strong position in the Dutch Non-Life market.

The 'Gross Written Premium per type' graph (above) illustrates the growth across the various types of Non-Life insurances. Growth was achieved across the board without a reduction in margin, mainly as a result of more policies being sold. At **Achmea**, the level of premiums increased although the market in The Netherlands showed signs of softening. This increase, when compared with 2004, is a result of the acquisition of the Levob portfolio, the autonomous growth in the number of policyholders (4%) and the merger with **Interpolis**.

Pricing pressure had a negative effect on the level of written premiums which remained in line with 2004. The motor and property markets remain the most important segments for the Non-Life business at **Interamerican**.

Positive developments were noted within the Eastern European and **Interlife Cyprus** markets where, on the whole, commercial performance increased. Compared to 2004, increases in the Gross Written Premiums were realised at **Union**, of 6%, and by the **Interamerican Bulgaria** and **Interamerican Romania** operations of 3%. Gross Written Premiums showed a slight increase, mainly due to the improved performance in liability insurance.

Net Profit – Non-Life

The positive results at **Achmea** have been partially influenced by a market situation where the number of large claims was relatively low. A number of business initiatives, such as 'commercial vitality' and 'vision on claims' initiated in 2005 had a positive effect on the 2005 results. The aim of the last initiative was to critically analyse the claims handling process so that improvements could be made. As a result, costs were reduced and customer satisfaction increased. However, this cost control is not apparent in the expense ratio. The expense ratio, however, shows an increase, related to commission costs in the banking distribution channel at **Interpolis**. Excluding Interpolis, the expense ratio would have decreased to 24.7% in 2005, compared to 25.5% in 2004.

Achmea focused on a strict underwriting policy, an efficient claims-handling process, and on **Interpolis'** 'glashelder' ('crystal clear') concept. In combination with a concentration on commercial vitality, Achmea succeeded in reducing the combined ratio. This has led to an improvement in the claims ratio compared with 2004. The claims ratio fell from 67.5% to 65.1%.

The claims ratio in The Netherlands remained below the 2004 ratio because of a lower number of claims and a lower than average claims amount. The weather, being one of a number of claims-drivers, was mild. Claims resulting from weather damage were mainly due to the November snow storms; the rest of the year recorded few storms or large fires. The impact of the snow storms in November on net profit was limited. The small number of large claims, mainly in the commercial property segment, was favourable for the combined ratio, illustrating Eureko's strong underwriting policies which are focused on risk management practices.

The expense ratio, however, shows an increase, related to the additional commission costs in the banking distribution channel at Interpolis.

The Non-Life operations at **Interamerican** were stable in 2005, with Gross Written Premiums slightly below the 2004 result. Fierce price competition has had an impact on the result but nevertheless, a combined ratio (99.7%) that outperformed the 2004 Combined Ratio (102.1%) was realised, mainly due to favourable market conditions.

The Non-Life operation at **Union** increased in 2005. Profit Before Tax increased by 37.5% from EUR 1.6 million to EUR 2.2 million. The positive Non-Life result was mainly driven by the low combined ratio (94.9%) compared with 2004 (105.9%). The reduction in the combined ratio was driven both by a lower expense ratio as well as a lower claims ratio.

Operating Results by Business Line: Health

Key Figures – Health	2005	2004
EUR million		
Gross Written Premiums	2,071.6	1,735.2
Technical result	78.9	113.6
Profit Before Tax and discontinued operations	111.2	76.0
Health Service revenues	235.3	258.3
Profit Before Tax and discontinued operations Health Services	4.3	– 39.8
Claims ratio	84.4%	87.4%
Expense ratio	10.1%	10.0%
Combined ratio	94.5%	97.4%

Introduction

The Health business operations are concentrated in The Netherlands, Greece and Romania, and cover both Health Insurance and Health Services. While both areas pertain to Health the key financial figures are significantly different and are discussed separately.

In 2004, changes to legislation in The Netherlands caused Achmea to re-structure its Occupational Health Services. This re-organisation will be completed in early 2006. Further legislative changes will be introduced in 2006.

In respect of public health funds, Achmea set up and administered three public health funds on behalf of the Government. Employees covered under the public health funds were those whose income was below a certain threshold, but who could buy additional supplementary policies to provide extra cover.

As Achmea had no control over the public health funds, but was simply an administrator, the results are not included in the consolidated Eureko figures. However, far-reaching changes to the health system have cancelled the dual public/private health system, and it is now wholly privatised. Every Dutch resident, from 1 January 2006 is now obliged to purchase a basic private health insurance policy to cover necessary health care. They may also purchase supplementary private insurance.

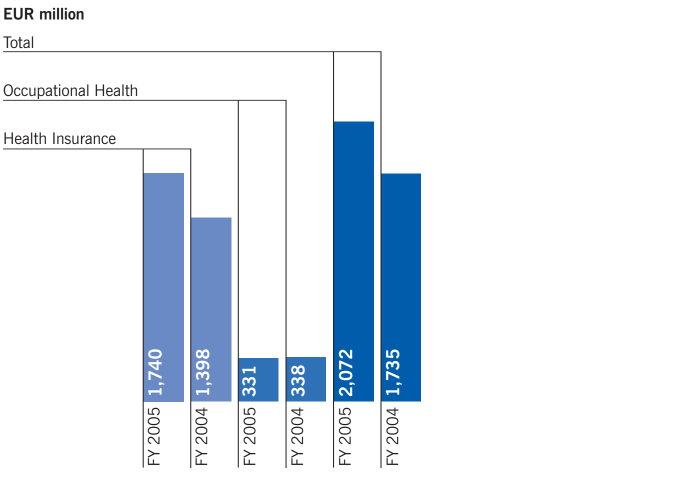
As of 1 January 2006, the private and public health companies will be integrated into the new health companies so that the governance structure is in line with the new legislation. These companies will be fully consolidated in Eureko's financial statements for 2006.

Gross Written Premiums – Health Insurance

In 2005, the Health Insurance business strengthened further, with an increase in Gross Written Premiums of 19.4%, from EUR 1,735.2 million in 2004, to EUR 2,071.6 million in 2005. At **Achmea**, the private Health segment continued to grow; Gross Written Premiums increased by 19%, from EUR 1,693.2 million in 2004 to EUR 2,011.6 million in 2005. (Private Health and Occupational Health contributed 84% and 16% respectively to this total).

Report of the Executive Board continued

Gross Written Premiums
Health Insurance



The main generator of total premium income in Health is The Netherlands with a contribution of 98%; the remainder is generated from Greece and Romania. The acquisition of the AXA health portfolio in 2004 generated additional premium income in 2005 of EUR 162 million (9.2%). The co-operative agreement in 2004, with Rabobank, for distribution of Achmea health products by Rabobank, under the Interpolis label, and the collective contract for Rabobank/Interpolis employees, contributed a further EUR 49 million to premiums. In 2005, Eureko also acquired the OZF portfolio of EUR 33 million. This contributed further to the increase in premiums. The remainder of the growth was autonomous, mainly as a result of increases in the collective portfolio, which contributed positively to the number insured.

Achmea is particularly strong in the provision of Occupational Health Insurance and Health Services, providing a services insurance package for employers which combines a number of elements which were previously covered by separate policies, making it more cost effective, and a successful product which addresses the legislative changes.

The implementation of the WIA* in The Netherlands resulted in a decline of 24% in premiums at Occupational Health due to premium repayments in 2005. The impact was EUR 78 million. This offsets the premium increase resulting from the merger of Achmea and Interpolis. The premiums paid for the WAO* had to be re-imbursed. The impact on the result has been nil. As this segment moves from the private sector to the public sector, this market will not generate the same Gross Written Premiums in 2006.

Interamerican faced a difficult market in 2005, where premiums in the Greek market decreased by EUR 6.1 million from EUR 42.0 million in 2004 to EUR 36.1 million in 2005.

Interamerican Romania strives to become the 'Quality' benchmark for the Romanian private health system. The Introduction of Health Insurance operations was delayed by six months, which meant that Gross Written Premiums did not reach expected levels in 2005.

Net Profit – Health Insurance

The impact on **Achmea's** results of the new health legislation was limited. Further costs were incurred for additional IT changes and extra personnel (EUR 20 million). However, compared to 2004, the technical result of Health Insurance declined from EUR 113.6 million in 2004 to EUR 78.9 million in 2005. Health Service providers (hospitals etc), experienced considerable administrative difficulties as a result of the implementation of the DBC's (Diagnose Behandel Combinaties). The decline in the technical result is mainly a result of the difficulties encountered. Currently, a number of committees related to the insurance sector are investigating means of solving the administrative problems. Eureko had to include additional charges to form a provision for the current uncertainties. This was in line with the market.

Achmea's occupational health unit exceeded expectations in 2005. Occupational Health experienced lower client absenteeism, which was the main driver for the positive performance mainly in the small-to-medium business segment, and which off-set additional charges to technical provisions as a result of lower interest rates (technical rate decreased to 3%). Lower absenteeism in the market as a whole, in combination with the 'ziektewet' (health legislation) and 'WAO', has allowed Achmea to realise positive results.

Despite difficult market conditions, **Interamerican** improved its results through tight cost control and a stringent re-structuring programme. Net income increased from EUR 1 million in 2004 to EUR 3 million in 2005.

Interamerican Romania experienced a small loss of EUR 0.7 million. This was due to initial start-up costs incurred in 2005 in launching a Health Insurance business and improving market share.

Health Services

The change in legislation and lower levels of absenteeism led to a reduction in the need for re-integration services in The Netherlands. This change in market conditions prompted Eureko to re-structure **Achmea's** Health Service operations. The process is expected to be finalised in early 2006, and, once completed, the Health Service operations are expected to have a sound base with improved commercial vitality. Improvements can already be seen at Achmea

* See Glossary of Terms

Arbo and Commit, where commercial success and increased cost control are the main contributors to the positive results achieved in 2005.

Revenues

Despite the sale of some of **Achmea's** re-integration services, revenues during 2005 stabilised. Increased revenues from Health Centres in The Netherlands partly compensated for the drop in the volume of activity in re-integration services. The re-integration service, Winnock, is a niche player with a market-specific proposition.

At **Interamerican**, the main drivers of revenue growth were increased capacity, from the recruitment of new doctors, an increase in the number of patients (demand exceeded supply), and higher prices. This growth amounted to EUR 67 million in total.

In 2005, **Interamerican Romania** launched 'Medisystem', Romania's first integrated private health system. In addition to health insurance services, **Interamerican Romania** opened a state-of-the-art hospital, the first private hospital in Bucharest, bringing Western European standards to Romania. 'Medisystem' confirms the Company's development into a significant player in the Romanian Health sector.

Net Profit – Health Services

Despite the difficult market conditions, and significant re-structuring costs **Achmea** achieved a small profit in Health Services. Re-structuring costs had a significant impact. For Eureko, this was a year of re-vitalising and re-aligning the business with changing market conditions.

Health Services (Achmea Arbo) performed well. The improvement was mainly due to increased productivity. Achmea Arbo converted the result of 2004 (EUR 0 million) into a positive (EUR 3 million) result in 2005.

Net profit from the **Interamerican** Health Services business increased from EUR 2 million in 2004 to EUR 3 million in 2005. Costs related to new technology impacted the net profit for 2004. The effects of this new technology resulted in improving the profitability of Interamerican's Health Services.

Operating Results by Business Lines: Banking & Consumer Finance

Key Figures – Banking & Consumer Finance	2005	2004
Net Interest Margin	160.7	136.4
Net Commission Income	11.7	14.9
Profit Before Tax and Discontinued Operations	36.2	–66.2

Introduction

Eureko performs banking activities in The Netherlands through Achmea Bank Holding and Staalbankiers, and Consumer Finance activities in Ireland through Friends First.

Commercial Development

The loan portfolio for both operations demonstrated a modest growth. The Dutch mortgage and Irish personal lending activities contributed positively, while Dutch personal and corporate lending activities had a negative effect on results.

The competition in the Dutch mortgage market remains strong. Interest rates declined further in 2005, resulting in high mortgage production combined with high redemptions as clients opted to re-mortgage to take advantage of the lower interest rates. The net mortgage portfolio growth was modest in 2005 but lower compared to 2004. This was the result of redemptions increasing faster than the production of mortgages.

Achmea's personal and corporate lending portfolio decreased. Part of the 2005 re-structuring included downsizing the business banking portfolio, to improve the overall portfolio quality. This had a continuing effect on the 2005 portfolio.

Friends First's banking portfolio increased. The Irish banking activities focused on motor finance, asset finance lending to small and medium enterprises and personal loans to consumers, and was driven by a combination of marketing activities and strong growth in the Irish economy.

Net Profit – Banking

The net interest margin was under considerable pressure. Increased competition from large Dutch competitor in the mortgage market led to a declining margin in the portfolio. Net interest margin increased because of the increased penalty interest received on redemptions.

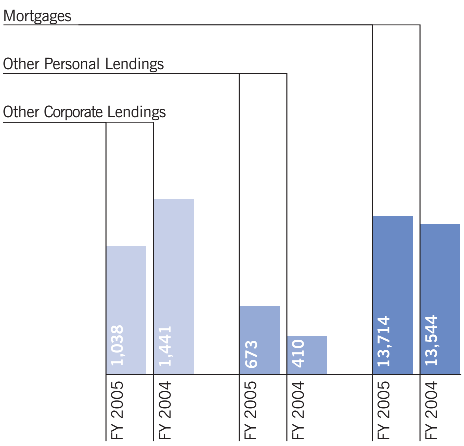
The re-organisation of Staalbankiers, announced in 2004, resulted in the sale of the Commercial Real Estate and Syndicated Loan portfolio, and the down-sizing of the business banking portfolio in 2004 and 2005. Although the amount of interest earned declined, the net margin increased due to an improved funding position.

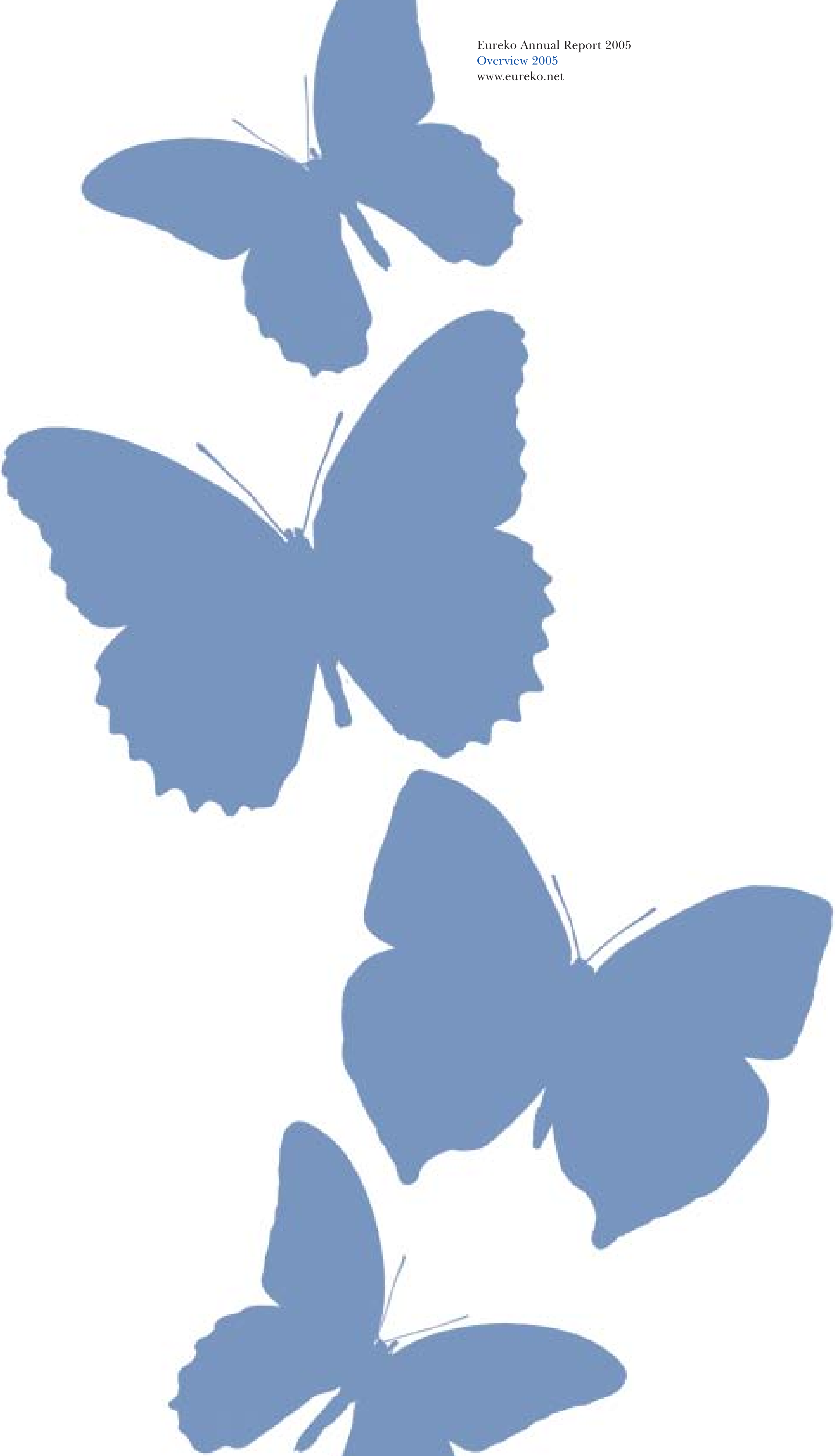
Report of the Executive Board continued

Profit before tax and discontinued operations showed a strong improvement compared with the losses incurred in 2004. This was mainly the result of the re-structuring in 2004 and improved efficiency of the funding position of the banking activities.

The first effects of the 2004 re-structuring of Staalbankiers were visible in 2005 and no further operational provisioning was deemed necessary. The improved risk profile of the portfolio resulted in a strong reduction of allowance accounts. Besides there being no re-structuring provisioning in 2005, results have increased due to declining expenses related to the closure of several Staalbankiers' operations.

As a result of the newly-adopted IFRS accounting principles, net profit was more sensitive to changes in interest rates. Net profit improved by more than EUR 40 million due to this effect. This was mainly driven by changes in the fair value of derivatives.





Eureko Annual Report 2005
Human Resources, Corporate Social Responsibility
and Capital Management
www.eureko.net

Human Resources, Corporate Social Responsibility and Capital Management

Human Resources

Eureko believes firmly in balancing the interests of all its stakeholders – clients, shareholders, distribution partners and staff. The support and commitment of Eureko employees is critical to how Eureko serves its customers in order to develop and grow high-performing businesses. Eureko regards its personnel as its major asset and it is their collective knowledge and professionalism that add real value to the business.

Eureko aims to be a leading employer in the markets and territories in which it operates. This is as much to motivate and develop existing staff as to attract the best of new talent. The working atmosphere is one of empowerment, trust and openness and employees are encouraged to take personal responsibility for both their work and career development. The Group is committed to continuous investment in its employees. This inspires and motivates its personnel continually to make their best effort for Eureko, and more importantly, for its customers.

In balancing the needs of all its stakeholders, Eureko understands that it is essential to listen to them. As a result, employees are encouraged to have a say in their job conditions. In 2005, in its core operation, in The Netherlands, Achmea conducted an Employee Satisfaction Survey. The results of this are being studied, and appropriate measures will be put in place to ensure that there is a satisfactory balance between the requirements of the Company in achieving its commercial success, for the benefit of all its stakeholders, and the wishes of the individual. Interpolis has conducted such a survey regularly and prides itself on being recognised as a leader in employee engagement. Across Achmea (including Interpolis) 12% to 15% of all senior positions are held by women, whereas the national average is 4%.

By demonstrating commitment to its employees, Eureko expects similar commitment in return. Individuals have their performance reviewed throughout the year and this measurement includes clear development plans together with concrete objectives.

The HR functions across Eureko play a major role in knowledge transfer across the Group, supporting and nurturing talent with a range of appropriate training and career development programmes. This includes an international trainee scheme and specific programmes in areas such as IT, Sales and Pensions.

International Mobility

International Mobility takes the form of cross-border assignments and multinational project teams and is a feature employed to good effect in Eureko. It offers a double benefit, serving to integrate the companies within the Group and facilitating the sharing of knowledge and best practice.

Employees from the developing companies in Bulgaria, Cyprus and Romania, as well as personnel from Union, Interamerican (Greece), Império France, PZU and EurAPCo have been on exchange assignments at Eureko Holding. A number of staff from other Operating Companies were also seconded to Interamerican in Greece during 2005. These assignments afforded employees a better understanding of Eureko's philosophy and business strategy while also providing the opportunity to gain international business exposure.

Management Development

In a market that is continually changing, Eureko has always recognised the challenge of ensuring that the right people are in the right place and equipped with the most appropriate skills.

Eureko's success is directly related to the performance of its top management. The Executive Board considers the performance and development monitoring of its managers to be a priority, and this is supported by other centrally co-ordinated activities including the Eureko Academy, the Ashridge Executive Education Programme and the Eurekans Management Development Programme.

The Eureko Academy

The Eureko Academy organises activities to support and stimulate the exchange of knowledge and expertise within the Group. In addition to being involved in activities for the Eureko Group, the Academy also works with EurAPCo partners, arranging workshops, meetings and seminars for the various projects and business groups throughout the Alliance. EurAPCo – the European Alliance of Partner Companies – is an alliance of independent companies mainly active in insurance. It facilitates the exchange of knowledge and expertise through co-operation and bi-lateral projects.

All Eureko Academy learning programmes are designed and implemented with the co-operation of academic partners around the world. They are supported by management schools and universities in Europe. Learning is tailored to meet organisational imperatives, focusing firmly on business priorities and workplace challenges.

Ashridge Executive Education Programme

Ashridge Business School, one of Europe's leading business schools, provides customised management training courses to senior executives from Eureko and other EurAPCo Partner companies. The General Executive Education Programme directly addresses how senior managers can help develop and shape the future in support of their company objectives.

An important benefit of the programme is that it brings together senior managers from across the EurAPCo group, generating shared cross-cultural experiences and a better understanding of each company's activities.

The Eurekans Management Development Programme

This 14-month accelerated learning programme is specifically designed for 'fast-track' managers who are at a relatively early stage in their management careers and is a combination of action learning and essential business theory.

Since its first course in 1998, the programme has become an integral part of the development of the next generation of managers, evolving continuously to meet changing needs. By bringing together people from different countries for intensive learning, they have opportunities that could not have been provided commercially or generated by the EurAPCo Partners working individually.

Across the Group, individual companies also have management development initiatives, including programmes in association with universities (e.g. Erasmus and Nyenrode Universities in The Netherlands).

The Management Development process also aims to ensure that management skills are best matched to the organisation's ever changing needs. This ensures both better individual job satisfaction and optimum added value for the organisation.

Corporate Social Responsibility

Eureko Policy
The concept of CSR, whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis, is an important element in the sustainable development of all our companies.

The primary function of an enterprise is to create value through producing goods and services to satisfy the needs of clients, thereby generating profit for its shareholders, as well as providing benefits to society. However, there is a growing perception that sustainable business and shareholder value cannot be achieved solely through profitability, but also through market-oriented yet responsible behaviour. Companies must now consider the management of their operations in such a way that they enhance economic growth and increase competitiveness whilst ensuring environmental protection and promoting social responsibility, including consumer interests.

Globalisation has created new opportunities, which, in turn have led to the expansion of business activities into new territories, particularly in developing countries.

Eureko has operations in both mature and developing markets. It is our aim, as part of our competitive objectives, as well as introducing a common policy towards CSR across the Eureko Group, that all our Operating Companies adopt a responsible attitude to the conditions in which their services are produced and the resultant impact on society. Reputation and image play an important role in the business environment and, regardless of territory, we aim to achieve a balanced attitude towards CSR in the management and development of our companies.

Eureko has a well-developed foundation for its CSR policies, in that one of the cornerstones of its strategy is the exchange of knowledge and expertise across the Group, for the benefit of employees, customers and the Company.

Some of our operations currently have more advanced CSR policies than others in developing countries. However, many of the more advanced policies, in addition to co-operation with Non-Governmental Organisations (NGOs), have positive spin-offs in other countries in which we have operations, in that the smaller companies often benefit from the initiatives introduced in other territories, through exchange of best practice. Risk management is a powerful factor in CSR. To that end, Eureko has stringent guidelines in place.

Eureko aims to uphold the principles of CSR through stakeholder dialogue and continual review of our practices.

Eureko Foundation

As part of Eureko's on-going commitment to CSR, it will establish a charitable foundation, in which an annual investment of 0.5% of the Group's net profits will be made.

In addition to the overall Eureko principles, its Operating Companies have developed specific local programmes in support of CSR.

Achmea

Achmea strives to be a sustainability-driven organisation, actively involved in society, and a company which aims to be a leading and innovative insurer and service provider. Achmea has developed a long-term CSR policy, in terms of 'People, Planet and Profit', with priority given to transparency and dialogue with its respective stakeholders. An important part of this policy is that it is a core driver for all business areas.

In The Netherlands, Achmea is working with F&C in the area of shareholder engagement and has applied F&C's Responsible Engagement Overlay (REO) programme. Similarly, Interpolis is engaged with Robeco, Rabobank's asset management company on the same product. The objective of REO is to use our influence to encourage companies in which we invest to enhance their business performance by adopting better corporate governance, ethical, social and environmental practices.

Achmea aims to exceed the minimum legislative requirements in all areas of its operations, and publishes its own detailed CSR Annual Report, which is published at the same time as the Eureko Annual Report.

Interpolis

Now merged with Achmea, Interpolis' first priority is to integrate CSR into its core processes (marketing, underwriting, claims handling, product development, investing) via the 'Crystal Clear' ('Glashelder') Concept. This concept is built on trust in its customers and employees and on transparency about the choices it makes.

Interpolis played a major role in the creation of the CSR Code of Conduct of the Dutch Insurers' Association.

The Company actively promotes CSR in the Dutch insurance world and published a book called, *'Win win win',* on the relevance of CSR for insurers.

Interpolis also played an active role in the creation and promotion of the Environmental Damage Insurance (EDI), an insurance concept that promotes sustainability. This insurance cover remains unique. Interpolis is EDI market leader.

Volunteers from Interpolis have created micro-insurance co-operatives for the poorest communities in Sri Lanka, India, Nepal and the Philippines. Local people, mostly women, successfully run these now self-supporting insurance co-operatives. In 2004, the volunteers created the Micro Insurance Association Netherlands (MIAN). MIAN projects are currently being run in Thailand, Cambodia and Kenya.

Interpolis created an independent CSR Foundation that financially supports people and organisations that foster charitable, humanitarian or ecological purposes. The Foundation is being financed by voluntary monthly gifts from employees, which are then matched by the Company.

Interamerican – Greece

In 2005 Interamerican implemented a range of initiatives under its Corporate Social Responsibility programme called 'Actions for Life'. This included a public information campaign to reduce road accidents. The Company supports socially vulnerable groups by its sponsorship of NGOs active in child welfare in Greece. In health care, the Company supported the Greek Medical Association and the Greek Cancer Society, and ran an educational programme about the dangers of substance abuse. Interamerican staff have also been actively supporting the Company's blood donor programme.

Union – Slovakia

Union maintains a philosophy of positive interaction with society, evidenced through participation in and sponsorship of specific projects and organisations. Union actively supports the education of young people in the fundamentals of business and economics. Union is also an active member of the 'Central European Corporate Governance Association'.

Interamerican Bulgaria

Interamerican's CSR policy in Bulgaria provides active support for a variety of social initiatives. Each year, the company sponsors a different social housing project within Bulgaria. It also participates in a programme, with the Bulgarian Traffic Police, which aims to reduce road accidents.

Interamerican Romania

In August 2005, Interamerican Romania, in co-operation with the Emergency University Hospital Bucharest, helped to fund humanitarian medical action in the South of Moldavia, an area that was severely damaged by flooding. The aid included vehicles with medical equipment and medicines and a staff of 35 people, mainly doctors and nurses. Interamerican donated the funding needed for a special medical mobile unit to provide medical assistance to victims in the worst affected regions.

Corporate Social Responsibility continued

As a Group, Eureko personnel contributed to a number of global projects, in response to events which devastated communities.

Tsunami Aid – South East Asia
Employees from across Eureko raised EUR 360,000 for the aid of Tsunami victims early in 2005. The sum was made available to HealthNet International TPO, a Dutch humanitarian aid organisation. With the money, a training centre was established in Jaffna, North Sri Lanka, for Tsunami victims in need of psychological and psychosocial help.

In the immediate aftermath of a disaster on the scale of Tsunami, relief activities mostly focus on the rebuilding of infrastructure. Seldom is any focus given to the invisible trauma caused by loss, whether that be loss of family, home or livelihood.

Dealing with loss can take a great deal longer but is essential to rebuild a sustainable future. Victims in Sri Lanka suffer from a number of psychological problems. The service offered by the HealthNet-TPO training centre is mainly focused on recognising and treating stress-related disorders.

Within its first year, 750 mental health workers were trained in the centre. These are already working for local and international relief organisations, including the Red Cross and CARE International. To date, they have helped more than 30,000 Tsunami victims. Over the next two years, a further 3,000 health workers will be trained at the centre, ensuring Tsunami victims suffering from psychological problems can be helped over the longer term.

Earthquake Relief – Pakistan
Following the devastating earthquake in Pakistan in October 2005, Eureko has been working with HealthNet TPO to provide immediate trauma aid to victims. The aid programme primarily focuses on the victims in the surroundings of Muzaffarabad, the capital of Kashmir, the area that was the most damaged by the earthquake. More than 90% of the population lost family members, while 70% of the buildings in the city were destroyed. The initial stage of the aid programme was limited to treating people with acute psychological problems, but will be broadened.

Stichting Achmea Slachtoffer en Samenleving (SASS Foundation) – Achmea Foundation for Victim Support in Modern Society is administered by Vereniging Achmea (Eureko's majority shareholder).

As a former mutual, Achmea has a long-tradition of combining economic viability with social responsibility, and has a number of projects aimed at improving the social welfare of the community.

In addition to its extensive commitment to CSR, Achmea also established the SASS Foundation (see above) in 1995, demonstrating that Achmea's commitment to society is one of its main driving values.

The Foundation operates independently in terms of policy and development and is run by a Board which consists of leading experts in science and social development.

The main objective of the Foundation is to provide, at a national level, financial support for academic and applied research in the field of victim support, with the aim of modernising it and making it more efficient and effective. Considerable emphasis is placed on the relevance of this research and on the communication of research results to institutions that are involved in the day-to-day care of those deemed to be 'victims', for whatever reason.

The Foundation recognises that new victims are created daily, and that innumerable people are faced with traumatic events which make them victims.

Some of the research projects that the Foundation has helped support include, 'Children as Victims of Traffic Accidents', 'Post Traumatic Stress Disorder', 'Domestic Violence', 'Burns Treatment', and 'Asylum Seekers – Psychological Disorders in Minors'.

In 2004, a number of other projects were undertaken, on previously un-researched subjects, including, 'The Victimisation of Minorities in Dutch Society'.

Details of the Foundation's work can be seen on its website, at www.sass.nl

Capital Management

Capital and Liquidity Management

Eureko has a number of sources of capital available to it, including shareholders' equity funds, preference capital, Tier 1 capital securities, and external and internal borrowings. The Group seeks to optimise its capital structure to maintain financial strength in order to support growth of its core insurance and insurance-related business, to satisfy the requirements of policyholders and regulators, and to enhance returns to shareholders through the deployment of prudent levels of leverage.

Capital

Eureko manages its capital at a) Group level, b) the level of individual insurance and banking entities and c) Business Unit level.

a) Group

At Group level, capital adequacy is measured based on Standard & Poor's capital adequacy model. Eureko seeks to maintain its group capital and its capital structure in accordance with the requirements for a counterparty credit rating of 'A'. During 2005, Eureko comfortably met these requirements.

b) Insurance and banking entities

Regulatory capital requirements are applicable to Eureko's regulated insurance and banking subsidiaries. The minimum solvency requirements imposed by local regulators for its insurance businesses are based on the Solvency 1 Directive. For Life business these are set, in broad terms, at 4% and 1% of insurance liabilities for traditional and unit-linked business, respectively, and for Non-Life and Health businesses, at the higher level of 16% of premiums or 23% of claims. As of 1 January 2006, minimum solvency requirements applicable to entities that provide basic health insurance in The Netherlands are set at 8% of premiums or claims, reflecting the lower risk profile of this type of business. The minimum solvency requirements for Eureko's regulated banking operations are based on the Basle 1 framework and are set at 8% of risk-weighted assets.

Eureko periodically sets minimum coverage ratios for its insurance businesses on the basis of internally-developed Risk-Based Capital (RBC) models. The RBC reflects economic market risk, credit risk, insurance risk and operational risk and makes prudent allowance for diversification between product groups within the legal entity. Eureko has set minimum coverage ratios equal to 170% and 160% of the minimum solvency requirements for its Life and Non-Life subsidiaries, respectively. For Health Insurance, the minimum coverage ratio in 2006 will be 125% for the basic health care insurance (implemented from 1 January 2006) and 150% for the supplementary insurance coverage.

In 2005 in all insurance business lines, the regulatory solvency margin of Eureko's regulated subsidiaries increased.

The European Union, European insurance regulators, and the insurance industry are working together to develop a new, more risk-based regulatory capital framework, Solvency 2. The timing of the implementation of Solvency 2 is uncertain at this point. However, Eureko actively participates in the further development through representation in national and international industry groups as well as providing information through quantitative impact studies. Eureko intends to use the internal RBC models as the basis for calculation for Solvency 2 capital requirements.

c) Business Unit

At Business Unit level, capital is distributed and managed using RBC models. In an environment of low interest rates and where market valuation is becoming more important, a clear and coherent RBC framework is essential. RBC forms an important input for asset-liability management, product pricing and performance management processes.

RBC and Solvency ratios

Within the risk models an important element is the risk appetite. Risk appetite of Eureko is quantified in three elements: the amount of capital to be protected, the period of protection, and the certainty of protection. The RBC is defined as the capital required maintaining the insurance liabilities over a one (confidence level of 99.95%) or five year (confidence level of 99.5%) period with a certainty corresponding to an S&P default probability of an 'A' rating.

Risk-Based Capital by Insurance Line of Business for Eureko at 31 December 2005

Capital Employed

EUR million	Capital Employed	Capital Employed as % of Risk-Based Capital	Solvency available as % of Regulatory Requirement
Eureko Life	2,133	161%	197%
Eureko Non-Life	995	334%	384%
Eureko Health	840	601%	203%
Interpolis Life & Non-Life	1,876	376%	223%

The first column shows the Capital Employed per business line; this is the capital that is actually held on the balance sheets of Eureko's insurance operations. The second column relates to the Capital Employed to the Risk-Based Capital as determined by Eureko. This shows that the Capital Employed is well above the Capital Required. The third column relates to the Solvency Capital per business line to the minimum regulatory requirements.

Notes

1. Solvency Capital equals Capital Employed less some regulatory non-admissible items.
2. Solvency Capital available as % of Regulatory Minimum Requirement is based on the latest available data.
3. The capital requirements in the new Health system, which lead to a lower risk profile and therefore a lower RBC, have already been incorporated in the RBC calculation, but not in the Regulatory Minimum Requirement.
4. The Eureko figures in the table are excluding Interpolis, which is shown on a separate line. The Eureko and Interpolis framework is similar; the assumptions slightly differ.

Eureko's risk management framework is described in more detail in the Risk Management Paragraph (note 53 of the financial statements, page 165).

Funding and Liquidity

Eureko's funding strategy is based on assuring excellent access to international capital and credit markets at low costs, underpinned by credit ratings in line with its peers. In principle, each operating subsidiary is responsible for financing its own activities. However, Eureko, as the Holding Company, co-ordinates and manages all these activities and, in this role, may participate in financing the operations of certain subsidiaries, in particular through subordinated debt funding.

As a Holding Company, Eureko, and its major Dutch holding entities, rely principally on distributions of internal dividends and excess liquidity from operating subsidiaries and associated companies to meet their funding needs. Such distributions are usually subject to regulatory restrictions, and, in the case of associated companies, by the dividend policies as determined by those companies.

During 2005, Eureko paid EUR 434.1 million in dividends to shareholders on 2004 net profit and EUR 25.5 million to preference shareholders. The dividend to shareholders included EUR 250.0 million of transaction dividends related to the divestiture, in 2004, of its asset management activities, F&C and Intertrust. Dividends received from operating and associated companies amounted to EUR 406.0 million. Investments in associated companies amounted to EUR 2,104.3 million. In addition, treasury shares were issued to Rabobank as part of the consideration for the acquisition of Interpolis N.V. on 15 November 2005, and to Vereniging Voormalig Ziekenfonds Zilveren Kruis (formerly called OWM Zilveren Kruis Ziekenfonds U.A.), Vereniging Voormalig Ziekenfonds Groene Land PWZ (formerly called OWM Groene Land PWZ Zorgverzekeraar U.A.) and Vereniging Voormalig Ziekenfonds OZB (formerly called OWM Onafhankelijk Ziekenfonds Bedrijven U.A.) as part of the consideration for the acquisition of the successors of the public health entities executed on 1 January 2006.

Eureko and its principal Dutch holding entities maintain committed and uncommitted credit facilities with a variety of international banks for liquidity purposes. The market value of Eureko's investments in associate companies MillenniumBCP, Friends Provident and F&C amounted to EUR 1,164.0 million at year-end 2005 versus EUR 941.0 million at year-end 2004. The majority of these investments are at the level of the Holding, thereby providing an additional source of liquidity.

Eureko's external borrowings not allocated to its banking and finance operations amounted to EUR 1,042.0 million as of year-end 2005, versus EUR 592.5 million as of year-end 2004. For 2005, this includes EUR 135 million of re-insurance contracts, classified as debt. Debt leverage, measured as non-bank debt (excluding debt regarding re-insurance contracts) as a percentage of the sum of total equity (for 2004, including shares subject to re-purchase agreements) and non-bank debt, decreased from 12.8% to 9.6% during 2005.

Major funding transactions in 2005

In June, following a roadshow in the major financial centres in Europe, Eureko issued EUR 500 million in Tier 1 capital securities to European institutional investors. The issue, structured to qualify as equity capital for regulatory and rating agency purposes, received a warm reception from investors.

Achmea Hypotheekbank N.V. (AHB) successfully placed its fifth securitisation of residential mortgages with European investors under its DMPL programme (Dutch Mortgage Portfolio Loans). The credit spreads obtained on both the senior and the junior tranches on the EUR 1.25 billion transaction were an all-time low, reflecting the good market conditions as well as the excellent track record of AHB's servicing operations and the high quality of the mortgage portfolio.

In November, AHB also issued a EUR 500.0 million transaction under its Secured Debt Programme, the first time AHB has tapped the public markets since 2002.

Friends First Finance, Eureko's Irish consumer finance operation, was able to re-finance its expiring asset-backed commercial funding facility on more attractive terms and increased the size of the facility to EUR 250.0 million.

Wagenplan, Eureko's joint venture with Athlon, active in fleet management and leasing in The Netherlands, obtained a EUR 70.0 million committed credit facility to fund its growth plans.

Ratings

In May 2005, Standard & Poor's upgraded Eureko B.V. and Achmea Holding N.V. from BBB+ to A– (stable outlook), other ratings being confirmed. In March 2006, Standard & Poor's confirmed the rating and amended the outlook from stable to positive.

Holding Companies	Type	27 May 2005	20 December 2004
Eureko B.V.	CCR	A–	BBB+
Achmea Holding N.V.	CCR	A–	BBB+

Achmea Group	Type	27 May 2005	20 December 2004
Achmea Pensioen- & Levensverzekeringen N.V.	CCR/IFSR	A+	A+
Achmea Schadeverzekeringen N.V.	CCR/IFSR	A+	A+
Achmea Zorgverzekeringen N.V.	CCR/IFSR	A+	A+

	Type	31 January 2006	21 December 2004
Achmea Hypotheekbank N.V.	CCR (long term)	A	A
	CCR (short term)	A–1	A–1
	Secured debt programme	A+	A+

CCR: Counterparty Credit Rating
IFSR: Insurer Financial Strength Rating

* See Glossary of Terms

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Eureko's Operating Companies, Associate Companies and Strategic Investments

Eureko Annual Report 2005
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Mature Markets

Achmea

The Netherlands

Key figures	2005	2004
EUR million		
Premium Income Life	2,246.3	1,763.8
Premium Income Non-Life	1,503.2	1,304.8
Premium Income Health	2,035.2	1,693.2
Total Premium Income	5,784.7	4,761.8
Banking Income	809.8	852.0
Profit before tax	618.9	415.6
Net Income	475.9	309.7
Contribution to Eureko	475.9	297.4
Total Assets	72,695.3	45,617.9
Shareholders' Equity	5,315.1	3,032.1
Ranking		
Life	2	2nd
Non-Life (incl. Health)	1	1st

Introduction

The 2005 merger of Achmea and Interpolis, the former Dutch insurance subsidiary of Rabobank, created The Netherlands' largest insurer and pension administrator and was a major milestone in Eureko's history. The merger gives Eureko a very strong domestic market position and the size and scope to pursue its expansion ambitions in emerging markets in Central and Eastern Europe.

The combination creates not only the leading Dutch insurer but, more importantly, it creates the insurer with the best business mix, the best brands and the best distribution system. In a mature and consolidated market, the merged company will continue to grow as cost savings and efficiency improvements lead to lower cost levels and keenly-priced products, offering the customer better value for money.

Both Achmea and Interpolis have similar traditions, reflected in their customer focus, company culture and a concentration on strong brands, while their businesses are highly compatible. They have a common strategy and shared vision. Clients will benefit from this strategic move. From the customer's perspective, the merger will create no disruption; it will be 'business as usual'.

Brands

Achmea is the 'family name' for the elements that make up the Dutch Operating Company, under the umbrella of which sit the different brands. Some of these are dual-branded, as in Centraal Beheer Achmea; others, such as Interpolis and FBTO are stand-alone brands, but still within the Achmea 'family'.

With the merger, Achmea now has some of the most powerful brands within the insurance sector in The Netherlands. The primary brands are Centraal Beheer Achmea, Zilveren Kruis Achmea, Interpolis, Avéro Achmea and FBTO.

Achmea is the market leader in Health and Non-Life, and holds an important position in Occupational Health and Life insurance. Achmea makes use of all major distribution channels, both traditional and new: personal, telephone and workplace sales, as well as sales through agents, intermediaries and banks and, increasingly, sales via the Internet. Centraal Beheer Achmea is the largest direct writer. Interpolis adds six business units to the existing 10 of Achmea, and effectively doubles the market share in Life, Non-Life and Pensions. Interpolis does not provide a Health product, which offers a good opportunity to sell Zilveren Kruis Achmea's Health products through Interpolis to the clients of local Rabobank banks.

Interpolis provides Life insurance, Non-Life insurance and Health products, 85% of which are distributed through the vast Rabobank network in The Netherlands, making it the largest insurance intermediary in the country. Interpolis is also a leading administrator for pension funds.

The mottos of the two merged components – Achmea's 'ontzorgt' (unburden) and Interpolis' 'glashelder' (crystal clear) – reflect Eureko's key values of integrity, respect, professionalism, focus on results and client commitment.

Achmea continued

History of the Transaction

The combination of Achmea and Interpolis makes great strategic sense. The companies have now worked closely for over a year, and were eager to explore further co-operation.

In early 2004, Eureko began its strategic alliance with Rabobank, by collaborating with Rabobank in health insurance. Interpolis offered health insurance provided by Zilveren Kruis Achmea, via local Rabobanks and via its own distribution channels. In addition, Zilveren Kruis Achmea became the health insurance provider for all Rabobank personnel. This early co-operation, which also saw Rabobank take a 5% shareholding in Eureko, has been gradually built on and paved the way for the merger, which closed on 16 November, 2005.

Strategy

Achmea will continue to focus on growing the business organically, while looking for opportunities to reduce its cost base. It believes that it can boost sales by offering more competitively priced products while realising enhanced distribution opportunities – in the intermediary and banking markets in particular.

The market for Life insurance in The Netherlands is stabilising, or even shrinking slightly, resulting in margin pressure. Fiscal advantages for Life insurances aimed at building capital, are being eroded. Banking alternatives (such as the 'Levensloopregeling' (Life Cycle Plan) are now preferred. This implies a shrinking market and a return to basic risk insurance, for coverage, not capital accumulation. The pricing pressure is particularly felt in larger corporate contracts and the private Life business. Achmea can limit the impact of this pressure by continuing to grow its small and medium companies and private clients business. Cost control will be central to managing the business going forward.

The Non-Life market is growing in line with the economy, as premiums rise to reflect the higher value of properties insured. One of the fruits of early co-operation between Achmea and Interpolis was the joint development of Non-Life insurance for Rabobank corporate clients. Non-Life claims have successfully been kept low, through expert risk assessment and the increasing move towards 'in-kind' payment for damages.

Achmea's aim is to offer first-rate products, grow market share, and improve bottom-line profits through efficiency gains. In the next five to ten years, it is expected that the insurance market will consolidate further. During this period, it is Achmea's ambition to increase its market share from its current level of around 20%.

Achmea also offers services that include assistance at home and abroad, health and safety services, absenteeism prevention and workplace re-integration services, as well as health services and campaigns that aim for 'prevention rather than cure'.

The synergies gained in corporate procurement as a result of the merger of Interpolis and Achmea will go a long way towards driving efficiencies.

Distribution Strength

Distribution is key to the insurance business.

The merger creates a strong position to exploit the bancassurance distribution channel via Rabobank, which is an important addition for the Achmea brands. The bancassurance market is growing faster than the other distribution channels and no competitors have access to a similar banking network. Similarly, opportunities for cross-selling are greatly improved. Interpolis products will be available through Achmea's traditionally-strong direct writing channels. For the banking market, the primary brand will be Interpolis and for the direct market, it will be Centraal Beheer Achmea and Zilveren Kruis Achmea. Avéro Achmea will be the brand dedicated to the intermediary channel.

There is also the opportunity to increase market share in the growing intermediary market. This is a key goal. Achmea aims to be a leading player in this channel, offering its customers another 'power brand' to choose from. Expansion in this market will produce limited cannibalisation of the business via other distribution channels, as, traditionally, a huge percentage of all insurance policies in The Netherlands is sold via intermediaries.

In the pensions market, the combined company will offer advantages of scale. A series of regulatory changes will call for significant investment in administrative systems. As a result of the merger, there will be economies of scale that can be achieved, both in administrative systems and back-office functions.

Whilst legislative changes have presented challenges, these have also given rise to opportunities for growth in what would otherwise have been a static market. Pension funds, particularly the smaller ones, are increasingly outsourcing their pension administration and asset management so they can focus on their strategy. New accounting rules, more stringent requirements from the pensions supervisory body, and the demand from clients for more individual choice in their pension schemes are key drivers behind this.

The market is consolidating. Pension funds with similar goals and client bases are merging, while the leading pension administrators are trying to acquire more large clients. In this market environment, a combination of PVF Achmea, Achmea's pension administration arm, and Interpolis Pensions have a leading role in growing the total base of pension clients.

Achmea is one of the foremost occupational health services companies in The Netherlands. These services, indispensable in the proposition for corporate clients, who like to buy full-service insurance packages, offering all-care from basic insurance to re-integration and psychological services, continue to face challenging market conditions.

Achmea Arbo, and Interpolis' Commit, are specialists in health care services, labour conditions in the workplace (arbo), managing absenteeism and the re-integration of employees. Clients include small and medium-sized companies as well as large corporates.

The dedicated brands, Commit from Interpolis and Achmea Arbo will work closely together to develop products that serve client needs better. There will also be a need to invest more in strengthening the sales force and customer care resources within this field.

Regulatory Changes: health care

In The Netherlands, new government initiatives for health insurance, disability and pensions create more product and market opportunities. The short time frame between the announcement of these changes, in 2004 and early 2005, and their introduction presented a challenge. Nonetheless, Achmea was fully prepared for the implementation on 1 January 2006.

The dual public/private health insurance system was wholly privatised as of 1 January 2006. All 16 million inhabitants of The Netherlands are now obliged to buy a basic private health insurance policy covering necessary health care (which is defined by the government), which is administered by private insurers. In addition to the basic insurance, insurers can still offer supplementary private insurance. The new system will have a significant impact on the structure and organisation of our health business, especially in relation to Achmea's public health funds which had a premium volume of around EUR 2.8 billion in 2005. (This will be consolidated as of 1 January 2006.) The profitability of the standard health insurance package (basisverzekering) is difficult to estimate, but will be minimal initially.

The regulatory changes created major challenges for Eureko in 2005 both in terms of revenues and of internal operations. Uncertainty for consumers, doctors and health suppliers will continue in 2006, and we will see a transition towards more group contracts and market collectivity.

The new legislation will significantly impact the whole Dutch population. In the past, those with incomes below the minimum wage and income level were insured under the public system; those with higher incomes bought private policies.

Under the old system, Achmea administered policies for the government, but did not profit from the public insurance policies. Instead, any profit came from the sale of supplementary policies to some 90% of the public health clients on whose behalf these policies were administered. Under the new system, as for all private health insurance companies, Achmea will be entitled to collect premiums and, consequently, to make profits.

Achmea continued

Under the new system, all insurance companies are obliged to accept every resident in their area of operation. A system of risk equalisation makes the acceptance obligation possible and prevents direct or indirect risk selection. The premiums charged can differ from insurer to insurer, but each provider must levy the same premium for each policy type. Everyone with the same policy type will pay the same insurance premium.

Following the announcement of the legislative changes, Achmea set up a consumer Helpline providing information on the impact of the new legislation. More than 1,000 temporary workers were hired and trained to run this service. As well as informing consumers, there has been equal emphasis on educating physicians and other health providers about the impact of these legislative reforms.

Competition among insurers to provide the new standard health insurance to the approximately 10 million Dutch residents who were previously part of the public health system, is fierce, making premiums and margins low. Insurers are fighting for market share, aware that true profits are to be made further down the line through cross-selling supplementary products to basic insurance customers. We will make our Health operations more profitable by focusing strongly on cost reduction and increasing the efficiency of health providers.

In the run-up to this major transition, Achmea focused on selling group policies, which are both more attractive for the consumer than individual policies and less expensive to administer. In some cases this will mean that large companies that were existing clients for private policies for their higher-paid employees, are now turning to Achmea for coverage for the remainder of their workforce, which had previously been part of the public system.

Regulatory Changes – pensions and disability

The government abolished tax breaks for premium payments for early retirement and created the new 'Levensloopregeling' (Life Cycle Plan), which offers employees the opportunity to save funds to finance periods of unpaid leave, for purposes such as care, education, travel or early retirement.

The 'Life Cycle Plan' offers clients the opportunity to use the plan to save for early retirement. As The Netherlands' largest pension administrator, we have invested not only in developing this new 'Life Cycle' Product, but also in providing very clear communication to clients.

The Dutch government also reformed the Occupational Disability Act, creating greater freedom of choice for employers, in terms of insurance cover. Employers can choose to take liability for partial occupational disability of an employee, or they can take out insurance either with a private insurer or the government body which implements employee insurance schemes, the UWV*.

It was disappointing that there has been a delay in opening up the market for private insurers, which, in effect, gave UWV a period of exclusivity. Achmea is ready to switch clients to new insurance policies as soon as the market opens up.

As a result of these regulatory changes, which also result from customer demand for a combination of Health and Occupational Health products, integration between health care and social security will be key in the future. As our group already covers insurances and services in this field, integrating these products will fulfil customer demands and, at the same time, develop a competitive advantage. For example, Zilveren Kruis Achmea has more than half of Dutch blue-chip companies as Health clients, making it ideally placed to cross-sell related products such as the basic insurance, occupational health-related services and psychological services.

However, there remains huge uncertainty in the market. In the short term, changes to laws affecting disability and pension insurance could reduce the amount of premiums that can be collected for these products. With very competitive market conditions anticipated, this will inevitably lead to significant margin pressures.

* See Glossary of Terms

Regulatory Changes: Financial Services Act (WFD)

A new Financial Services Act came into force on 1 January 2006. The main aim of the act is to give clients greater protection when making use of financial services offered by providers such as Insurers. The new act is an adaptation of existing regulations and implementation of EU legislation, and addresses or clarifies issues such as transparency, trust, expertise of the providers, transparency and financial security of services providers.

Market Share

Within the whole Dutch insurance market, which is worth an estimated EUR 48.8 billion, Achmea's market share grew in 2005, to a convincing number one position, with a market share of 18.7%.

In the EUR 23.6 billion Dutch Non-Life market, Achmea is in the clear number one position with 21% market share, almost double that of its nearest competitor. The company also leads the Health sector. In the Life segment, worth almost EUR 25.2 billion, it is a strong number two player, with a 16.5% market share.

Customer Satisfaction

A major strength of the new Achmea group is the confidence its customers have in its Business Units. A recently-published 'customer satisfaction' survey of Dutch insurance companies placed Interpolis and Centraal Beheer Achmea in second and third positions, respectively.

Interpolis – Financial Review

Interpolis had a very successful year in 2005. Turnover remained well above EUR 5 billion, while profits increased considerably. Net profit increased by 36% to EUR 297 million (2004: EUR 218 million). Net profit in 2005 is affected by some one-off items. The insurance liabilities for occupational health insurance and group pensions have been strengthened by EUR 35 million, due to low interest rates and longevity risk. Furthermore, Interpolis provided EUR 24 million for the expected penalties on the early redemption of some loans. The negative impact of these one-off items on net profit is EUR 44 million.

Commercial Perfomance

Within Non-Life Interpolis recorded an increase in Gross Written Premiums of 3%, to EUR 1,188 million (2004: EUR 1,155 million). This increase resulted mainly from the unique prospects Interpolis offers. In the consumer market, the unique 'All-in-one-Policy' (Alles in een Polis ®) combines all necessary insurance coverage in a single insurance policy. Depending on the number of elements insured, a discount is offered on the full premium. The number of All-in-one-Policies increased in 2005 to 1.3 million (2004: 1.2 million). This means that 19% of all Dutch families has an Interpolis All-in-one-Policy. This is distributed, not only through the vast network of local Rabobanks, but also via the Internet and a number of independent insurance agents. In the small and medium-sized enterprise market, Interpolis offers a product with the same attractive features, the Entity Compact Policy (Bedrijven Compact Polis). The number of policies in this line of business increased by 3%, from 215,000 at the end of 2004 to 221,000 in 2005.

Within the Health sector, Interpolis offers insurances that provide financial compensation to employees, employers and self employed in the case of disability or illness. Gross written premiums decreased by 15% to EUR 309 million (2004: EUR 365 million). This decrease is caused by the introduction of the WIA* (a new regulation on disability and illness). Existing products are no longer necessary as these are now replaced by public solutions.

Within Health Services we face considerable changes in the Dutch market. Changes in legislation combined with a lower absenteeism rate led to a decline in the demand for these services. As a consequence, turnover decreased to EUR 93 million.

Within Life, gross written premiums increased by 2% to EUR 2,466 million (2004: EUR 2,429 million). There were lower sales of individual life insurances, but in the group pensions market, gross written premiums increased.

* See Glossary of Terms

Achmea continued

In individual Life insurances, gross written premiums decreased from EUR 2,025 million in 2004 to EUR 1,859 million in 2005. The reduction is a result of changes in the fiscal treatment of the life-contingent annuities. This type of insurance product, that used to have an important role in early retirement savings has become less attractive as the premiums are no longer tax deductible. As Life insurances with a savings component becomes less attractive Interpolis focuses more on the sale of term insurance contracts and immediate life-contingent annuities. In both areas, Interpolis is one of the major players in the Dutch market.

Within group Life insurances gross premiums increased by more than 30% to EUR 305 million (2004: EUR 231 million). This increase is mainly driven by new group contracts.

Results

Within Non-Life, profit before tax in 2005 increased by 100% to EUR 176 million (2004: EUR 88 million). Main drivers behind this favourable development are commercial performance and low cost and claims ratios. The claims ratio improved further, to 58.0%, compared with 59.2% in 2004. Efficient claims handling procedures, strict underwriting policies, particularly in the business line of small and medium-sized enterprises, coupled with favourable weather conditions are the main drivers behind this success.

Within Health, profit before tax in 2005 increased from EUR 34 million in 2004 to EUR 26 million.*

Due to the difficult circumstances in the Dutch market, results in Health Services remained negative in 2005. As the organisation and processes have been re-structured toa lower level of activity we expect a turnaround to positive results in 2006.

In Life, profit before tax declined slightly from EUR 196 million in 2004 to EUR 195 million in 2005. This decline is mainly driven by additional provisions for the longevity risk within group pensions. In individual Life insurances, fierce competition resulted in low rates. Despite this pressure on rates, Interpolis succeeded in realising an attractive return on new business. The main driver behind this is the low expense level. Cost leadership, in relation to our competitors, is one of the major targets in the business line of individual Life insurance. Further extending this leadership will have a positive effect on future commercial performance and profits.

Main Developments in 2005

- Achmea Hypotheekbank N.V. (AHB) successfully placed its fifth securitisation of residential mortgages with European investors under its DMPL programme (Dutch Mortgage Portfolio Loans). The credit spreads obtained on both the senior and the junior tranches on the EUR 1.25 billion transaction were an all-time low, reflecting the good market conditions as well as the excellent track record of AHB's servicing operations and the high quality of the mortgage portfolio.
- Achmea and Athlon, a car lease and repair company, set up the joint venture 'PartsPlan' to support the procurement of spare parts for Athlon's chain of car repair companies, Care Schadeservice, Achmea's selected partner in car repairs.
- Achmea agreed a new, two-year collective wage agreement for its employees. Agreement was reached on sick payments and employers' and employees' responsibilities with regard to re-integration. It also introduced the 'Levenslooppregeling' (Life Cycle Plan) into the CAO.
- Achmea sold re-integration services company, Argonaut Bemiddeling, to Van Dreumel Depiro, which became Achmea's preferred supplier for re-integration and out-placement services.
- The media campaigns of several Achmea Business Units were nominated for several advertising awards.
- Interpolis won a Golden Effie award for its 'crystal clear' advertising campaign. The Golden Effie awards are the most coveted awards in the Dutch advertising industry. The jury praised the campaign for its clarity, consistency and effectiveness. It significantly increased Interpolis' brand awareness, image and sales. In a separate awards ceremony, it won the accolade 'advertiser of the year'.
- Interpolis Pensions introduced a new pension administration system providing greater flexibility and the ability to respond to the demands of individual pension funds.
- Achmea and Philips launched a 12-month trial of an interactive system, 'Motiva', by which chronically ill patients can be monitored at home using a web cam and a broadband connection. This will help identify patients' needs better.
- The 'no-claim guarantee' car insurance was introduced, whereby customers can file one claim a year without losing their no-claims status and the related rebates.
- Both Achmea and Interpolis joined forces with the consumer ombudsman to improve the handling and processing of accident claims.

* The main driver was the strong performance of the disability insurance portfolio due to low absenteeism.

- Interpolis pulled out of the Portuguese joint venture Crédito Agricola Vida, selling its minority stake in Life insurer Rural Seguros to Caixa Central de Crédito Agricola Mútuo.
- Interpolis sold Salto Reintegration to Van Dreumel Depiro. Salto Reintegration will remain the preferred supplier to Interpolis and Commit.
- Interpolis introduced a new Occupational Health product label, WerkAttent, an integrated service for employers to manage employee re-integration and absenteeism. A new campaign was launched to promote disability insurance and critical illness insurance among self-employed people.
- Achmea introduced a new, total insurance package for employers, in response to the introduction of the new health insurance legislation and the disability act. 'Present' combines a number of insurances and services to manage absenteeism and integration more cost-effectively than with separate policies.
- FBTO launched an on-line health insurance shopping site, which included a basic healthcare policy plus a number of supplementary packages, from alternative medicines to dental care.
- Interpolis helped establish a number of small, co-operative insurance companies in developing countries, e.g. Cambodia, Nepal.
- Interpolis introduced a web-based tool, for its corporate clients, which allows them to compare absenteeism rates with sector peers. This should help employers reduce risks of work-related illnesses.

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Mature Markets

Friends First

Ireland

Key figures	2005	2004
EUR million		
Premium Income Life	231.4	229.3
Operating Result Life	19.9	15.0
Operating Result Finance	6.0	4.7
Operating Result Other	6.6	5.0
Profit before tax	32.5	24.7
Net Income	29.3	20.8
Contribution to Eureko	29.3	20.8
Total Assets	5,556.3	4,723.6
Shareholders' Equity	206.2	177.1
Ranking		
Life		5th

Introduction

Friends First has been helping Irish people to achieve financial security and prosperity since 1834. Over the years, the company has grown and evolved into a strong, dynamic and successful financial services provider, satisfying the needs of its institutional, corporate and private clients. The company is positioned as a highly respected, multi-specialist financial services provider catering primarily for the personal market.

Friends First has a key focus on Life and Pensions and also has a successful Asset Finance and Loans business, Friends First Finance. Both operations are strong players in their respective markets, with over 250,000 customers in total. Life and Pensions customers are accessed through independent brokers and other substantial relationships with a number of major retail financial institutions. Asset Finance and Loans products are distributed to both business and consumers through select intermediaries and affinity groups, as well as Friends First Finance's own direct sales force.

The Group also has a number of developmental businesses that are aligned to its core business. These include a third party processing company and a Private Investment division that caters for high net worth clients.

The majority of Friends First's 470 staff are based at its corporate headquarters in Dublin with the remainder in regional offices in Cork and Galway.

Strategy

Friends First's business strategy is based on delivering high value sales growth, using superior customer service as its key differentiator from the market. The company is proud to hold the 'Q-mark' and is ranked within the top 10% of Irish companies that hold this distinction. Friends First industry rankings have also showed a marked positive trend in recent surveys.

The Life company is focused on three specific markets: Income Protection, Pensions and Investments. Its strategy is to grow profitably in these markets on the basis of service excellence, product innovation and broadening its distribution base.

Friends First Finance has secured competitive advantage through a combination of excellent customer service and a strong focus on relationship management. This continues to be its business approach while it also maintains a keen focus on credit and margin management.

Each of the developmental businesses continues to make strong progress while making a clear contribution to the bottom line of the Friends First Group.

Main Developments in 2005

- Named as the "most improved Life Company in the market place" for the second year in succession.
- Retained the 'Q-mark' (Quality) for the third year in succession, being the only Life Company in Ireland to hold the accreditation. The 2005 score also places Friends First in the top 10% of companies with the Q-mark.
- Winner of the Financial Services category in the BT 'Inspired IT' awards 2005, demonstrating business value creation through the inspired application of IT.
- Winner of the 'Property Investment Company of the Year' at the 2005 Moneymate awards, reflecting the excellent performance of Friends First's portfolio of property funds.
- The Finance Company concluded a further securitisation of its loan book worth EUR 250 million in June, the largest ever securitisation of non-mortgage assets in Ireland. It provides funding for the company to the end of 2007.
- Strong growth in 2005 on the Life and Pensions front, accompanied by an increase of over 30% in the New Business Margin.
- Friends First International has doubled the number of in-force policies it administers on behalf of its client Mediolanum to 75,000, with a total value in excess of EUR 1.3 billion.

Mature Markets

Império France

France

Key figures	2005	2004
EUR million		
Premium Income Life	122.8	120.6
Investment Income (excl. policy holders)	17.4	14.7
Other Income	0.5	0.9
Operating Expenses	10.4	9.5
Profit before tax	4.0	4.2
Net Income	2.7	2.6
Contribution to Eureko	2.7	2.6
Total Assets	546.2	464.9
Shareholders' Equity	31.1	26.5

Introduction

Império Assurances et Capitalisation S.A. is a Life insurance company operating in a niche market segment – namely the Portuguese community living and working in France. This community comprises some 0.9 million people.

The company was established in 1971 as a subsidiary of a major Portuguese insurer. Since then, Império France has developed into the largest Life insurance provider to the Portuguese community in France, particularly those resident in the Paris region. Império also offers its clients brokerage services in Non-Life insurance.

Império operates four agencies in France and has a branch in Lausanne, Switzerland. In total, the company employs 55 people, of which 18 are tied-agents.

Strategy

Império will maintain its focus on the Portuguese community in France by offering products tailored to the particular needs of its target group. It will also maintain its excellent customer service. Império will continue to develop its two distribution channels, bancassurance and a tied-agent network, while continuing to focus on its operational efficiency.

Main Developments in 2005

- Successful launch of a new accident product which sold more than 2,000 contracts.
- New hospitalisation product, providing a daily subsidy, was launched in the last quarter of the year.
- Guaranteed rates on savings products were reduced, in reaction to the prevailing low interest rate environment.
- Re-launch of unit-linked portfolio to meet increased client demands, brought about by improved market conditions.
- Further development of the bancassurance network, which now accounts for an average of 460 new contracts per month and EUR 1.4 million of gross written premium per bank branch.

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Mature Markets

Interamerican

Greece

Key figures	2005	2004
EUR million		
Premium Income Life	175.3	169.3
Premium Income Non-Life	136.8	133.3
Premium Income Health	36.1	42.0
Total Premium Income	348.2	344.6
Profit before tax	–70.2	9.5
Net Income	–58.2	0.4
Contribution to Eureko	–58.2	0.4
Total Assets	1,719.4	1,624.0
Shareholders' Equity	123.7	142.1
Ranking		
Life	3rd	1st
Non-Life (incl. Health)	3rd	3rd
Combined Ratio Non-Life	99.7%	102.1%

Introduction

For 37 years, Interamerican has been a pioneer in the development of private insurance in Greece. Today, Interamerican is among the leaders in the Life, Health and Non-Life sectors and the only insurance company that has an extensive, privately-owned healthcare services and emergency assistance infrastructure.

Interamerican's mission is to provide a secure and better economic environment for individuals and companies by offering a wide range of products and services that effectively cover all financial and insurance needs in the areas of Life, Health and General Insurance, Pensions, Savings and Investments, Health Care Services and Emergency Assistance Services.

With one of the most extensive tied agency distribution networks in the country, the company has also started to develop the bancassurance channel (through its co-operation with NovaBank) and to explore the potential of direct sales and other complementary distribution channels.

Its history, strong market presence, large client base and its distribution capability make Interamerican the most widely recognised insurance brand in Greece.

However, 2005 was a difficult year for the company. The overall results were not satisfactory under IFRS standards. This performance can be attributed to a number of factors, including the negative influence of interest rate movements on liquidity, an additional provision for health insurance products in the Life segment and significant re-structuring costs relating to the headcount reduction.

Interamerican has been undergoing a stringent re-structuring programme, aimed at improving financial results and market position. The initial phase of this programme has been completed successfully and the first results are already being seen. The agents' network, which is the key distribution channel was re-developed; a programme to improve the IT infrastructure was developed; a new corporate advertising campaign was implemented; and there was a renewed focus on employee training and development.

Dimitri Contominas, Founder and Chairman of Interamerican, stepped down from the Board of Directors in order to devote his energies to his other interests in the energy and technology sectors.

Interamerican continued

Strategy

Interamerican is committed to being one of the most financially sound and leading insurance companies in Greece. A key goal is to maintain its dominant position in Life, Health and Emergency Assistance businesses, and gradually to achieve a leading position in the General insurance business as well.

The re-structuring process aims to develop a leaner, more efficient organisation, achieving economies of scale and scope, which in turn will lead to increases in value for all stakeholders.

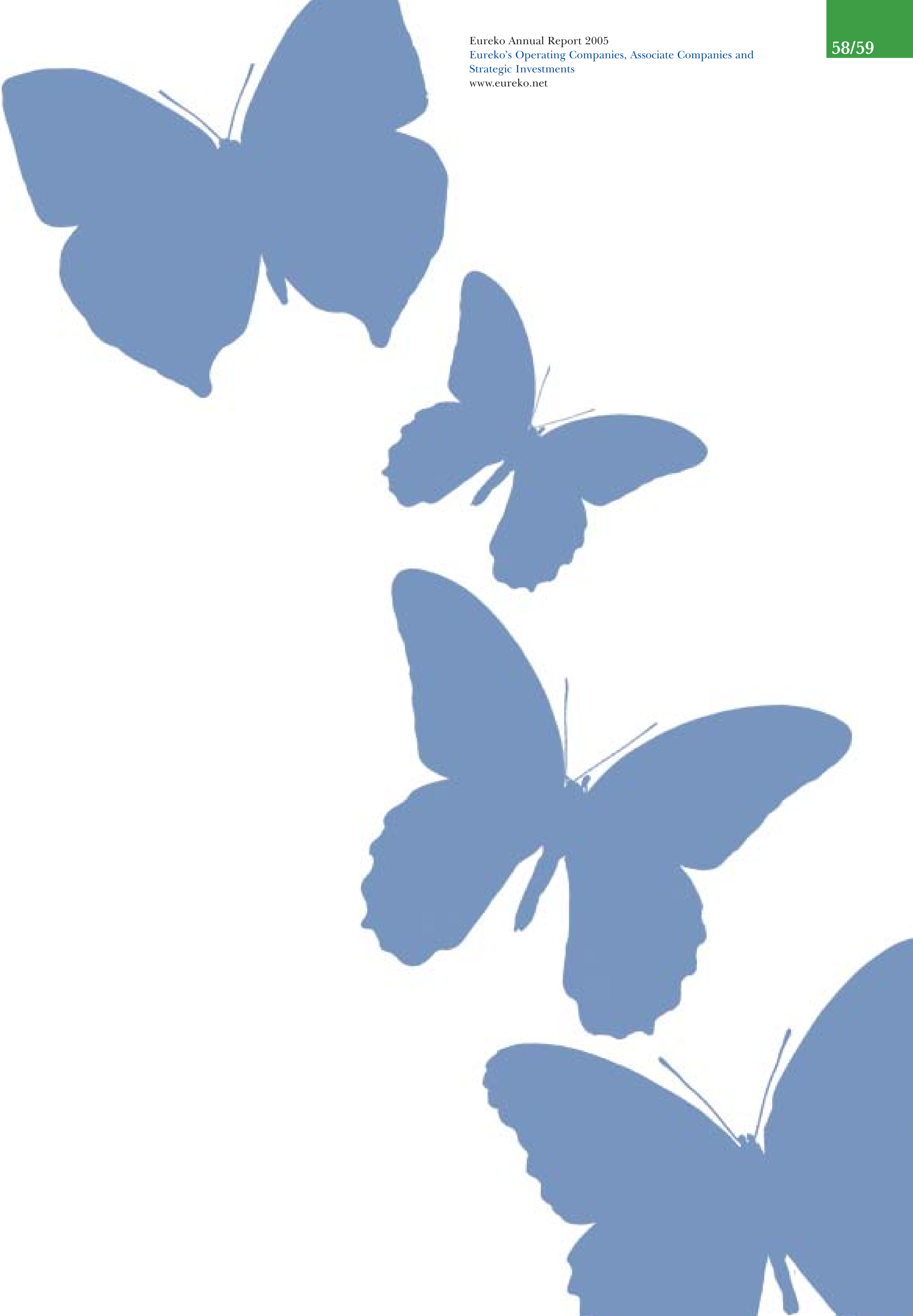
Customer focus is of paramount importance and Interamerican is committed to developing the required technology, the product and service portfolio, and the appropriate corporate culture in which this can be achieved. This will include more direct communication with clients, providing advice and guidance in order to better manage client expectations. Key initiatives are also being developed to improve loyalty rates and reduce lapses.

Distribution strength is equally important for the group. Interamerican's tied agency network remains the main sales and service channel and the focal point of support and sales growth efforts. This is being re-structured to achieve optimal geographic coverage and effectiveness. Interamerican aims to enhance its distribution capabilities by developing supplementary distribution channels such as bancassurance and brokers. This will include expanding the existing co-operation with NovaBank and increasing sales through other banks and channels mainly in the Non-Life business.

Brand Equity is a key element of Interamerican's core strategy. For many years the company has enjoyed an excellent reputation and its brand name is synonymous with quality and innovation. This brand equity will be further strengthened, both in a commercial sense and in terms of corporate social responsibility. Specially designed HR programmes will be introduced to increase employee involvement, productivity and satisfaction.

Main Developments in 2005

- Interamerican national sales conference was attended by 3,000 participants and held over two days at an Olympic Games venue in Piraeus.
- Launch of 'Ask Me', a new internet-based information and support site, for the Agent's network. It provides comprehensive information on all aspects of markets, competitors and Interamerican's products and services.
- Official figures released by the Association of Greek Insurance Companies confirmed that Interamerican moved from fourth to third position in the Non-Life business, while retaining first position in Life and Health.
- An extensive campaign promoting Life Protection products was completed.
- A large scale re-structuring of the organisation and the sales network commenced.
- The 'Advantage' project started, which involves building a new customer-focused database system for the entire Interamerican Group capable of providing a group level profile of Interamerican clients.
- Professional Greek football players covered under a group insurance, and Interamerican became a sponsor of the Greek professional football championship.
- A substantial change in Motor Insurance strategy took place in October, rewarding claims-free drivers. This initiative resulted in an impressive increase in sales.
- Interamerican was official sponsor of the 'Private Insurance Day' in Greece in November.
- A press campaign to highlight Interamerican's philosophy and its position within the Eureko Group.
- Best Line, a direct sales company within the Interamerican Group, launched its first product.
- Dimitri Contominas, Chairman of Interamerican, resigned and Adrian Hegarty was appointed as Chairman of Interamerican Group. Eureko would like to thank Mr Contominas for his dedication to Interamerican over the years, and also for his support to Eureko.



Developing Markets

Union

Slovakia

Key figures	2005	2004
EUR million		
Premium Income Life	8.8	7.7
Premium Income Non-Life	14.6	13.8
Total Premium Income	23.4	21.5
Profit before tax	1.5	0.7
Net Income	1.4	0.7
Contribution to Eureko	1.4	0.7
Total Assets	47.8	39.7
Shareholders' Equity	8.3	7.9
Ranking		
Life		12th
Non-Life (incl. Health)		12th

Introduction

Union is a medium-sized insurance company formed in 1992, offering Life, Non-Life and Health Insurance products to individual and corporate clients. Union is the dominant force in the travel insurance sector in Slovakia with a market share of 50% and a growing Life business. It is also active within some commercial sectors and has seen strong growth within several product lines. In 2004, Union launched Supplementary Health Insurance, becoming the first insurer in Slovakia to provide this product.

Union has a comprehensive distribution structure which includes direct sales (for both individual and corporate customers), broker intermediaries, call centre and the internet. It also co-operates with the biggest travel agencies in Slovakia for the distribution of Travel Insurance.

At the end of 2005, Union had a total of 280 employees, of which 136 are employed within the distribution network. In addition, Union had a Tied Agent network of 400 Agents.

Strategy

Union will continue to focus on capturing the considerable growth potential within the Slovak insurance market through increasing the scale and improving the operational efficiency of its established business lines. It also aims to become a major player in the emerging Supplementary Health Insurance market.

Union plans continued growth of its Life Insurance business, increasing both premium volume and market share. This will be achieved in part by leveraging tax incentives for certain Life Insurance products that were introduced in January 2005. There will also be increased focus on specific commercial Non-Life business lines, significantly growing this profitable portfolio. This growth will be achieved by both strengthening relationships with insurance intermediaries and increasing the productivity of Union's own distribution networks.

Developing the Supplementary Health Insurance business will provide an excellent opportunity for Union to establish a dominant position within this emerging market, which shows high growth potential. It also capitalises on both Union's strength in medical claim management and the Health Insurance expertise that exists within the Eureko Group.

Union aims to retain its dominant position in travel insurance, through on-going relationship management with distributors and a continuing reputation for fast and effective customer service.

Organic growth and increased distribution efficiency are key to delivering all elements of this strategy. Union will also continue to monitor the market closely for potential acquisitions which can create value and provide a good fit with its existing strategy.

Main Developments in 2005

- Net income of EUR 1.35 million was the highest in the company's history.
- Union agreed in December 2005 to acquire the Non-Life business of Vzajomna Zivotna (owned by ING) which primarily consists of Health Insurance products.
- In the second quarter of 2005, Union moved its Head Offices to new, purpose-built, premises.
- In the final quarter of 2005, Union re-structured its distribution networks to enable future growth.
- Union maintained its position as the market leader in Travel Insurance.

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Developing Markets

Interamerican Bulgaria

Bulgaria

Key figures	2005	2004
EUR million		
Premium Income Non-Life	3.1	2.3
Other Income	0.3	0.2
Operating Expenses	1.1	0.9
Total Premium Income	3.1	2.3
Profit before tax	0.0	–0.1
Net Income	0.0	–0.1
Contribution to Eureko	0.0	–0.1
Total Assets	4.6	3.6
Shareholders' Equity	1.9	1.6
Ranking		
Non-Life (incl. Health)		17th

Introduction

Interamerican Bulgaria was established in 1999 and operates as a Non-Life insurance company in the Bulgarian market. In 2002, the company established a separate legal entity, Interamerican Assistance S.A. which provides various assistance services with a particular emphasis on 'roadside assistance'. Interamerican Bulgaria is the first insurance company founded with foreign interest which is operating in the local market. The company provides property, motor, accident, cargo, travel and liability insurances.

Products are distributed through the company Head Office and its agencies, as well as through brokers, banks and agent networks. In 2005, Interamerican Bulgaria started a new recruitment plan aimed at expanding its agent network and has opened five new agencies in Bulgaria, bringing the total number of agencies to 14. This expansion process will continue in 2006.

Interamerican Bulgaria has currently 35 employees and Interamerican Assistance S.A. has 17 employees. The company focuses on developing its employees on an individual basis with appropriate training.

Strategy and Goals

Interamerican Bulgaria follows a cautious underwriting approach which it combines effectively with excellent customer service. A campaign to increase brand awareness with a long-term marketing initiative is being launched in 2006. The goal is to expand its presence on the local retail market combined with continued expansion of its sales force. The company will explore opportunities to enter new insurance markets.

A key challenge will be its response to new insurance legislation standards which will serve to liberalise prices of obligatory MTPL* and establish stricter financial and network rules.

Main Developments in 2005

- Agency network expansion – five new agencies opened.
- Gross Written Premium increased by 32% due to an increase in property insurance.
- Net claims ratio has increased in comparison with 2004, following severe flooding in the summer months.

* See Glossary of Terms

Developing Markets

Interamerican Romania

Romania

Key figures	2005	2004
EUR million		
Premium Income Life	5.5	5.0
Premium Income Non-Life	6.3	6.6
Premium Income Health	0.3	0.0
Total Premium Income	12.1	11.6
Profit before tax	–3.5	–1.3
Net Income	–3.5	–1.3
Contribution to Eureko	–3.0	–1.1
Total Assets	36.1	32.2
Shareholders' Equity	14.4	10.3
Ranking		
Life		10th
Non-Life (incl. Health)		15th

Introduction

Interamerican Romania is one of the most experienced insurance companies operating in the Romanian market. Founded in 1994, Interamerican Romania offers Life, Non-Life and Health insurance products to both individual and corporate clients. The cornerstone of its Health insurance (Medisystem) is Euroclinic, a state-of-the-art private hospital that was launched in June 2005.

The company has 31 agencies throughout the country, 168 full-time employees and 494 full-time agents. In June 2002, development potential and Interamerican's solid business performance encouraged investment from the European Bank for Reconstruction and Development (EBRD). This was the first time that investment of this type was seen in the Romanian insurance market. Currently, EBRD owns 8% of the shareholding, as Interamerican Romania's minority shareholder. Eureko B.V. is the company's majority shareholder with a 92% shareholding.

Strategy and Goals

Interamerican aims to become the market leader in Health insurance and plans to build a 30% market share by 2008. Interamerican aims to be one of the top four Life providers by the end of 2008. Interamerican aims to grow profitably in the Non-Life business in 2006.

The medical services provided by the Medisystem network have been developed to become the quality bench-mark for the Romanian private health system. The Medisystem health network will be available to the entire country by the end of 2006.

A new unit-linked product will be launched in the beginning of 2006. A new motor proposition for the Non-Life business will be launched early in 2006.

Main Developments in 2005

- The first large private hospital in Romania, Euroclinic, opened in June. In October, Euroclinic celebrated its 2,000th patient. Market research among its patients indicates a 99% satisfaction rating for the medical services offered by the hospital.
- On 8 June, Interamerican launched the first private integrated healthcare system – Medisystem, initially available only in Bucharest.

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Developing Markets

Interlife

Cyprus

Key figures	2005	2004
EUR million		
Premium Income Life	16.2	15.0
Premium Income Non-Life	7.0	6.6
Total Premium Income	23.2	21.6
Profit before tax	0.3	–0.5
Net Income	0.1	–0.7
Contribution to Eureko	0.1	–0.6
Total Assets	57.0	44.5
Shareholders' Equity	6.2	4.1
Ranking		
Life		5th
Non-Life (incl. Health)		17th

Introduction

Interlife Insurance Company Ltd. was established in May 1999, through the re-branding and expansion of Aetna Insurance Company. Interlife is one of the few composite insurers in Cyprus. In 2003, Interlife became a direct subsidiary of the Eureko Group.

In the Life business, Interlife is ranked number one among those companies without a bancassurance relationship. In the Non-Life sector, Interlife has seen an improved growth rate.

With a 10.7% market share in new Life business in 2004, Interlife ranks among the leading companies in the market.

Interlife has nine branches and six Agencies spread across Cyprus and has 138 employees.

Strategy and Goals

Interlife's strategy is to increase its market share position, by focusing on the sale of capital-efficient, profitable products.

In the Life sector, the company will continue its focus on protection and will launch an upgraded version of its Medical Card product.

In Non-Life, the company will continue to balance its portfolio by focusing on specific business lines.

Interlife will focus on developing its brand awareness expecting that sales growth will result from a new intensive marketing campaign in 2006.

Main Developments in 2005

- The Life sector continued to deliver strong profits.
- Non-Life demonstrated a major improvement over its 2004 results following increases in its motor rates.

Associate Companies

PZU

Poland

Key figures*	2005	2004
EUR million		
Premium Income Life	1,578.9	1,223.8
Premium Income Non-Life	1,981.7	1,712.2
Total Premium Income	3,560.6	2,936.0
Net Income	849.1	446.4
Contribution to Eureko	270.0	110.5
Total Assets	11,147.8	7,842.6
Shareholders' Equity	3,112.1	1,674.8
Ranking		
Life	1st	1st
Non-Life (incl. Health)	1st	1st

*Internal Eureko estimates

For over six years, Eureko has been a strategic investor in PZU, with a current shareholding of 33% – 1 share (and has applied to increase this to 36.1%). The on-going conflict between the Polish State and Eureko, over successive governments' failure to implement the legal agreements made with Eureko, to hold an IPO for PZU, and for Eureko to acquire a further 21% of PZU shares, inevitably has resulted in a lack of effective corporate governance and transparency. This frustrates the company's development.

Introduction

PZU provides comprehensive services to over 15 million clients throughout Poland. In 2005, the PZU Group was the largest insurance institution not only in the domestic market but also in the whole of Central and Eastern Europe. PZU Group has subsidiaries in Lithuania and the Ukraine. PZU S.A., the parent company, continued to dominate the Non-Life insurance market in Poland with a 50.6% market share (at Q2 2005), while PZU Zycie S.A. maintained its leading position in Life insurance with a market share of 40.1% (at Q2 2005). PZU S.A. offers a full range of Non-Life insurance products, over 100 business lines in total, including motor, property and liability insurance for both individual and corporate customers. PZU Zycie, the Life insurer, provides customers with a broad range of products, including some with risk protection and savings components. It also offers whole of life, term assurance and unit-linked products, endowments and corporate-owned Life for individuals, as well as being active in group life, health and disability.

PZU Zycie S.A., the Life company, has a dominant position in the group life insurance market. It is also the largest provider of group insurance pension programmes in Poland. PZU Group's Pillar II pension fund is one of the three largest in Poland. In addition, pension funds and mutual funds, provide PZU customers with a wholly comprehensive package. PZU's 200-year history, its outstanding brand and distribution network make PZU the best known insurance brand in Poland.

Strategy and Goals

In November 2005, the Executive Boards of PZU SA, PZU Zycie S.A., PTE PZU and TFI PZU approved the strategic plans for the PZU Group for the years 2006-2010. The strategy is driven by the management's belief that the Polish insurance market will grow by around 10%, which is greater than expected GDP growth. However, execution of strategy has already encountered some delay.

The PZU Group intends to maintain its status as a leading financial institution in Poland and in the Central and Eastern European (CEE) region. It will protect its market position by strengthening its client relations and moving away from a product-driven culture to a client-needs oriented organisation. The Group will concentrate on selling property insurance products to existing individual customers and SMEs. It will also focus on attracting high net worth individual clients and large corporate customers. New assistance products for motor insurance, individual retirement accounts (IKE) and modern investment products for the bancassurance channel will be put in place in 2006.

PZU continued

The second strategic priority will be the integration and re-organisation of the Group's distribution channels, based on customer segmentation. A new management model for the tied agents' network will be developed for the whole Group, including a dedicated sales force for high net worth individuals. Branches will focus on sales rather than operational activities. Direct sales channels will be developed, especially for motor insurance. The implementation of this model, however, is heavily dependent on the support of the majority shareholder.

The Group will also focus on the lean and cost-effective organisation of its operations. It plans to change its corporate structure into a Holding, and all operating companies (PZU Non-Life, PZU Life, PTE PZU, PZU TFI, PZU Asset Management etc.) will be subsidiaries of this parent company – PZU. Shared service centres will be developed. In addition, the automatisation of data processing will begin.

The Group will develop a model for foreign investment management to support its international expansion. It will actively seek attractive potential investment opportunities in Central and Eastern Europe.

However, it should be stated that the on-going conflict between the company's shareholders does nothing to strengthen PZU's market position, which has deteriorated, and is a handicap when facing strategic challenges.

Main Developments in 2005

- The process was begun of integrating the PZU Group and its transformation into a financial holding.
- Centralisation of the 'Insurer' product software system began. This has so far operated on 350 separate databases and ultimately will be centralised in one location.
- The sales organisation was re-structured. Separate sales and sales support departments were created and duplicated procedures identified and unified. For Non-Life, the partial centralisation of Customer Services is planned, which will reduce the number of locations from 350 to just 150.
- More agent software was developed and introduced, which will ultimately enable the calculation of premiums, printing-out of application forms and policies as well as the transfer of information.
- A process to modernise the claims handling process is in place. The ultimate configuration of the claims handling system has been decided and the claims handling centre roll-out has begun.
- PZU's motor tariff system was re-defined – new risk classes were introduced and pricing was reviewed.
- In the Life company, a new Product Management department was created. There was also progress on the centralisation of accounting and payroll functions. New unit-linked products were introduced and plans for further launches in 2006 are well advanced.
- PZU Zycie S.A. now has 500 group pension programmes, making the company the largest provider of insurance pension plans in the country.
- In 2005, Standard & Poor's confirmed its 'A-' long-term credit and insurer financial strength rating for PZU S.A. and PZU Zycie S.A. S&P indicates that PZU's rating can be further improved if the conflict between the Polish State and Eureko is resolved.
- The Group centralised its asset management functions and since September 2005, the assets of both PZU SA and PZU Life have been managed by PZU Asset Management, a subsidiary of PZU SA and PZU Life. Since December, the assets of PZU TFI's investment funds have also been managed by PZU Asset Management.
- As a result of co-operation with Swiss Mobiliar, one of the EurAPCo Partners, PZU launched a Term Life product.

Associate Companies

F&C Asset Management plc

United Kingdom

Introduction

F&C is a European-focused active asset manager with EUR 190.7 billion assets under management as at 31 December 2005. It is a diversified business by assets, client type and products.

Strategy and Goals

F&C's aim is to be Europe's partner of choice for investment solutions. It differentiates itself by building business partnerships with clients, intermediaries and consultants and providing them with solutions that deliver superior performance and service.

Following the merger of F&C and ISIS Asset Management in 2004, 2005 was a period of integration. The focus for 2006 is organic growth founded on the delivery of investment performance.

Main Developments in 2005

- Integration of F&C and ISIS largely completed with GBP 33 million of ongoing annual cost synergies on target to be delivered ahead of schedule.
- Howard Carter retired as CEO at end of year; Alain Grisay appointed as new CEO with effect from 1 January 2006.
- F&C client Resolution Life announced merger with Britannic Investment Management, taking all funds in-house.
- F&C withdrew from operational outsourcing negotiations with Mellon relating to former ISIS assets.
- F&C transforms UK equity proposition with hire of a new team from Deutsche Asset Management.

Financial Highlights

- Assets under management at 31 December 2005
  GBP 131 billion [EUR 190.7 billion] (2004: GBP 124.8 billion [EUR 176 billion]).

Associate Companies

EurAPCo
European Alliance Partners Company

Introduction
EurAPCo is an alliance of independent European companies from the financial services industry, mainly active in insurance. This alliance facilitates the development of synergies, mutual co-operation and bi-lateral projects between its partners which includes the Eureko Group.

The Eureko Alliance was originally founded in 1992 and re-structured at the end of 2000, into Eureko B.V. The same year, a new service company called EurAPCo (European Alliance Partners Company), based in Zurich, was formed to continue the objectives of co-operation and exchanges promoted by the Alliance.

EurAPCo is a joint-venture company with Eureko and six other EurAPCo Partners. Eureko, Covéa/MAAF-MMA (France), Friends Provident (UK), Gothaer (Germany), Länsförsäkringar (Sweden) and Swiss Mobiliar (Switzerland) are all equal shareholders. Caser (Spain) is in a trial period of membership, with an option to join the Alliance at a later date.

Mission
Each of the Partners holds a strong position in its domestic market. Together, they form one of the leading insurance groups in Europe with a total premium of more than EUR 27 billion and more than 20 million clients.

Their common aim, through mutual co-operation, is to strengthen their positions in their local markets but also to benefit from an involvement on the international stage. EurAPCo was established as the vehicle through which this mission can be delivered, by facilitating and co-ordinating the Partner activities.

Activities
EurAPCo activities cover the main insurance lines of the Partners, i.e. Life insurance, Non-Life insurance and the respective support functions. EurAPCo resources are dedicated to the continuing development of the Alliance, specifically to create and exploit synergy opportunities. EurAPCo conducts around 60 activities, which are all Partner-driven, with Partners setting the priorities. Activities include:
- Knowledge exchange through networking amongst the Partners with organised Business Groups, forums, workshops, peer seminars, symposiums and benchmarking exercises.
- Development and delivery of new projects and commercial activities for the benefit of the Partners.
- Contribution to the training and management development of Partners' senior and high potential managers.

Main Developments in 2005
- In 2004, EurAPCo generated more than EUR 3.4 million worth of benefits for the Partners. Benefits reported to date indicate that the 2005 figure will be significantly higher.
- International Employee Benefits has again shown very good results in 2005.
- The Marine Group continued its successful co-operation in international business. Gross cumulated premium to the end of 2005 is in excess of EUR 2.6 million (2004: EUR 1.4 million).
- The Assistance companies of some Partners are strengthening their co-operation by combining resources and sharing networks. Joint contracts have already been made in the USA, in Spain and in Turkey.
- The Fraud Group, as in previous years, produced real cost savings for Partner Companies.
- A Peer Seminar organised by Covéa/MAAF-MMA attracted more than 100 participants who came together to discuss the current situation in the area of Severe Bodily Injuries.
- A seminar on "Office of the Future" was held to attempt to visualise the Life business in the future and develop some long-term 'blue-skies'.
- Numerous bi-lateral visits took place in 2005, where Partners gained insight into the operations of their peers, re-inforcing their knowledge of each other's operations in various fields including underwriting fleet business, multi-distribution channel strategy, health group contracts and Life & Pensions back-office processes.
- PZU launched a Term Life product in Poland following co-operation with Swiss Mobiliar.

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Strategic Investments

MillenniumBCP

The shareholding in MillenniumBCP at year-end was 7.55%, which equals EUR 573 million per year-end 2005. Eureko and MillenniumBCP have a long partnership association and each maintains a reciprocal shareholding in the other company. Both also have parallel development strategies in other European markets, including Poland and Greece.

Friends Provident

The 5.71% shareholding in Friends Provident was valued at year-end 2005 at EUR 330 million. Friends Provident and Eureko have a long-term partnership as Friends Provident was one of the founding members of the Eureko Alliance. Each company holds reciprocal holdings in the other, and both Friends Provident and Eureko are major shareholders in F&C Asset Management.

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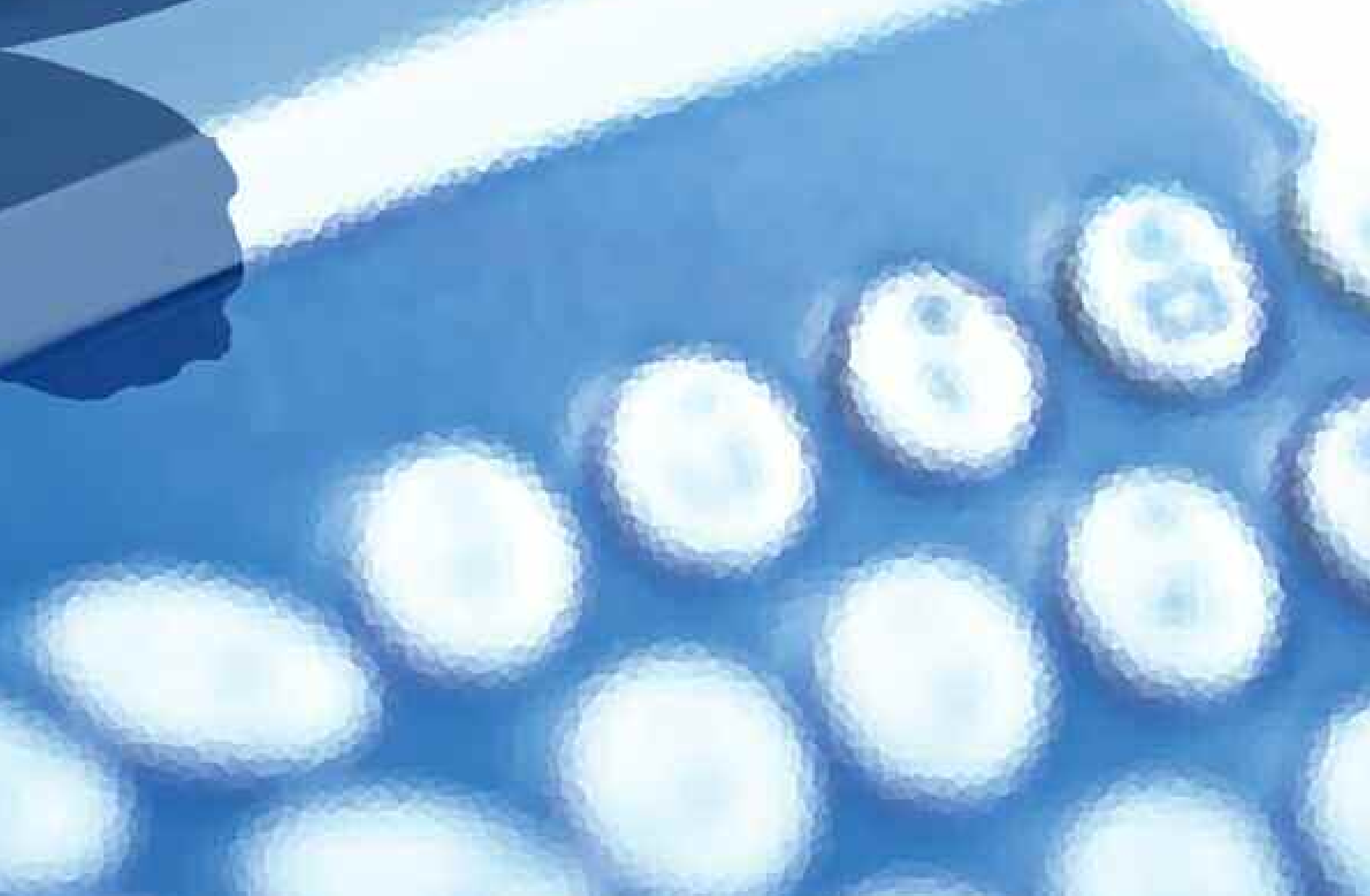

Financial Statements

Consolidated Balance Sheet

(before appropriation of profit)

EUR million	Notes	31 December 2005	31 December 2004
Assets			
Intangible assets	5	2,375.1	356.0
Investments in associated companies	6	2,104.3	1,467.6
Investment property	7	1,430.2	1,142.0
Investments	8	35,108.7	20,890.1
Investments backing linked liabilities	9	19,213.2	8,042.3
Banking credit portfolio	10	16,458.8	16,941.7
Deferred tax assets	11	1,121.7	770.3
Deferred acquisition costs	12	545.3	356.8
Income tax receivable		38.2	19.3
Amounts ceded to re-insurers	13	834.7	526.5
Receivables	14	2,206.7	1,102.1
Other assets	15	979.0	735.6
Cash and cash equivalents	16	877.3	560.8
Total assets		83,293.2	**52,911.1**
Shareholders' equity	17	8,025.8	3,201.1
Other equity instruments	18	496.3	
Capital and reserves		8,522.1	**3,201.1**
Minority interest	19	3.0	49.4
Total equity		8,525.1	**3,250.5**
Liabilities			
Shares subject to re-purchase agreements	20		790.0
Insurance liabilities	21	33,168.1	20,629.1
Insurance liabilities for policyholders	22	15,686.7	6,216.0
Investment contracts	23	3,060.2	1,840.8
Employee benefits	24	2,064.1	1,612.4
Other provisions	25	228.5	167.6
Banking customer accounts	26	5,335.5	5,750.3
Loans and borrowings	27	9,865.5	9,330.2
Derivatives	28	631.4	825.0
Deferred tax liabilities	29	1,163.0	454.3
Income tax payable		393.2	123.5
Other liabilities	30	3,171.9	1,921.4
		74,768.1	**49,660.6**
Total liabilities and Total equity		83,293.2	**52,911.1**

Consolidated Income Statement

EUR million	Notes	2005	2004
Income			
Gross written premiums Life	33	2,807.2	2,311.7
Gross written premiums Non-Life	34	1,698.6	1,477.4
Gross written premiums Health	35	2,071.6	1,735.2
Gross written premiums		6,577.4	**5,524.3**
Re-insurance premiums		–424.4	–360.2
Change in provision for unearned premiums (net)		53.1	–1.1
Net earned premiums		6,206.1	**5,163.0**
Contributions received for health pooling		284.2	274.5
Income from associated companies	36	296.3	152.1
Results on shares subject to re-purchase agreements			–87.9
Investment income	37	1,017.2	875.9
Realised and unrealised gains and losses	38	695.1	340.9
Income from investments backing linked liabilities	39	1,764.7	526.6
Banking income	40	841.4	840.2
Fee and commission income, and income from service contracts	41	387.5	396.1
Other income	42	127.7	102.2
Total income		11,620.2	**8,583.6**
Expenses			
Claims and movements in insurance liabilities	43	5,914.7	5,359.7
Claims and movements in insurance liabilities ceded to re-insurers	43	–132.3	–63.9
Profit sharing, bonuses and rebates	44	681.2	183.2
Movements in insurance liabilities for policyholders		1,387.5	61.8
Benefits on investment contracts	45	365.9	128.6
Operating expenses	46	1,655.0	1,621.3
Banking expenses	47	562.3	613.5
Interest and similar expenses	48	106.4	90.1
Other expenses	49	253.4	203.4
Total expenses		10,794.1	**8,197.7**
Profit before tax and discontinued operations		826.1	**385.9**
Total income		32.6	882.0
Total expenses		45.4	138.2
Profit discontinued operations before tax	3	–12.8	**743.8**
Profit before tax		813.3	**1,129.7**
Income tax expenses	50	107.6	108.0
Net profit for the year of the Group		705.7	**1,021.7**
Minority interest	51	0.2	0.8
Net profit		705.9	**1,022.5**
Earnings per share continuing operations (euro)	52	3.11	1.74

Financial Statements continued

Consolidated Statement of Changes in Total equity*

EUR million	Share capital	Share premium	Own shares	Legal reserves	Re-valuation reserve	Retained earnings	Net foreign exchange difference	Profit for the year	**Share-holders' equity**	Other equity instru-ments	**Capital and reserves**	Minority interest	**Total equity**
Balance at 1 January 2005	232.7	6,409.6	–766.0	771.4	418.3	–4,847.7	–39.7	1,022.5	**3,201.1**		**3,201.1**	49.4	**3,250.5**
Currency translation differences not recognised in the Income Statement							63.7		**63.7**		**63.7**		**63.7**
Net revaluation on property for own use					22.1				**22.1**		**22.1**	0.1	**22.2**
Net unrealised gains/(losses) on available for sale investments					498.6		51.1		**549.7**		**549.7**	0.1	**549.8**
Net gains/(losses) on available for sale investments re-classified to the Income Statement on disposal					–188.9				**–188.9**		**–188.9**	–0.1	**–189.0**
Total gains and losses recognised directly in equity (net of taxes)					**331.8**		**114.8**		**446.6**		**446.6**	**0.1**	**446.7**
Profit for the year								705.9	**705.9**		**705.9**	–0.2	**705.7**
Total profit					**331.8**		**114.8**	**705.9**	**1,152.5**		**1,152.5**	**–0.1**	**1,152.4**
Appropriations to reserves				270.5	12.2	739.8		–1,022.5					
Dividends to shareholders						–434.1			**–434.1**		**–434.1**		**–434.1**
Issue of capital	76.5	2,582.7	684.5						**3,343.7**	496.3	**3,840.0**	1.5	**3,841.5**
Other movements	32.4	757.6	–45.3		–10.2	28.1			**762.6**		**762.6**	–47.8	**714.8**
Balance at 31 December 2005	**341.6**	**9,749.9**	**–126.8**	**1,041.9**	**752.1**	**–4,513.9**	**75.1**	**705.9**	**8,025.8**	**496.3**	**8,522.1**	**3.0**	**8,525.1**

EUR million	Share capital	Share premium	Own shares	Legal reserves	Re-valuation reserve	Retained earnings	Net foreign exchange difference	Profit for the year	**Share-holders' equity**	Other equity instru-ments	**Capital and reserves**	Minority interest	**Total equity**
Balance at 1 January 2004	206.5	5,865.6	–1,073.3	586.9	281.4	–4,816.8	–129.2		**921.1**		**921.1**	416.3	**1,337.4**
Currency translation differences not recognised in the Income Statement							13.3		**13.3**		**13.3**		**13.3**
Net revaluation on property for own use					–2.9				**–2.9**		**–2.9**	0.1	**–2.8**
Net unrealised gains/(losses) on available for sale investments					239.8		76.2		**316.0**		**316.0**	0.1	**316.1**
Net gains/(losses) on available for sale investments re-classified to the Income Statement on disposal					–101.8				**–101.8**		**–101.8**		**–101.8**
Total gains and losses recognised directly in equity (net of taxes)					**135.1**		**89.5**		**224.6**		**224.6**	**0.2**	**224.8**
Profit for the year								1,022.5	**1,022.5**		**1,022.5**	–0.8	**1,021.7**
Total profit					**135.1**		**89.5**	**1,022.5**	**1,247.1**		**1,247.1**	**–0.6**	**1,246.5**
Appropriations to reserves				184.5	17.4	–201.9							
Dividends to shareholders						–91.4			**–91.4**		**–91.4**		**–91.4**
Issue of capital	23.9	422.7	307.2						**753.8**		**753.8**	–356.2	**397.6**
Other movements	2.3	121.3	0.1		–15.6	262.4			**370.5**		**370.5**	–10.1	**360.4**
Balance at 31 December 2004	**232.7**	**6,409.6**	**–766.0**	**771.4**	**418.3**	**–4,847.7**	**–39.7**	**1,022.5**	**3,201.1**		**3,201.1**	**49.4**	**3,250.5**

* For more detailed information see note 17 to 20.

Consolidated Cash Flow Statement

EUR million	2005	2004
Cash flow from operating activities		
Net profit	705.9	1,022.5
Adjustments for non-cash items:		
Unrealised results on investments	–42.9	24.0
Foreign exchange difference	–76.4	92.2
Impairment and amortisation	187.8	169.4
Changes in operating assets and liabilities:		
Changes in capitalised deferred acquisition costs	–128.3	–82.0
Changes in receivables and short-term debts	86.5	–141.8
Changes in liabilities related to insurance activities	1,264.9	209.0
Other changes	–34.8	139.9
	1,962.7	**1,433.2**
Cash flow from investing activities		
Changes in group companies and associated companies	–286.4	–301.3
Changes in other investments	96.4	229.9
Changes in equipment	–29.3	–26.2
Changes in investment property and equity	–657.9	–127.3
Changes in fixed income securities	–963.8	–1,118.2
	–1,841.0	**–1,343.1**
Cash flow from banking activities		
Loans granted/re-paid, on balance	548.8	644.9
Movement in customer accounts, debt securities and banks	–414.8	–1,267.0
	134.0	**–622.1**
Cash flow from financing activities		
Private placing of ordinary shares		233.2
Issue of Other equity instruments	496.3	
Dividends paid	–434.1	–91.4
Other credit facilities	–177.0	–469.6
	–114.8	**–327.8**
Net cash flow	140.9	–859.8
Liquid assets at 1 January	389.9	1,249.7
Liquid assets at 31 December	530.8	**389.9**
Cash and cash equivalents include the following items:		
Assets		
Cash	21.1	14.2
Bank balances	221.5	260.7
Short-term government paper		0.3
Call deposits	634.7	285.6
	877.3	**560.8**
Liabilities		
Bank balances	346.5	170.9
Net cash and cash equivalents at 31 December	530.8	**389.9**

Financial Statements continued

Statement of reconciliation on first time adoption of IFRS

Eureko opted to apply IFRS, as endorsed by the European Union, fully from 1 January 2004.

The basic principle used by Eureko was to apply all standards retrospectively. In line with the application of IFRS 1, Eureko has released all differences between the measurements of Eureko Accounting Principles (Eureko AP) and IFRS to Total equity.

As allowed under IFRS 1, Eureko opted to make use of the following exemptions from full retrospective application:

- Release of the unrecognised actuarial gains and losses for its defined benefit obligations (see Note II, Employee benefits);
- Use of the transitional adjustment when applying hedge accounting for the banking operations (see Note III, Banking operations);
- Recognition of goodwill for business combinations entered into as of 1 January 2004 (see Note VI, Business combinations).

The impact of implementing IFRS on Total equity, beginning and ending balance 2004, and net profit 2004 as compared with Eureko Accounting Principles is as follows:

EUR million	note	Total equity 1 January 2004	Total equity 31 December 2004	Net profit 2004
Total reported under Eureko AP		2,223.9	4,137.6	1,152.6
Shares subject to re-purchase agreements	I	–829.1	–790.0	–87.9
Employee benefits	II	–130.6	–118.3	28.7
Banking operations	III	54.9	–23.6	–75.8
Investments	IV	9.5	–4.1	–40.2
Share based payments	V	–1.2		–2.8
Business combinations	VI	n.a.	5.8	0.2
Insurance contracts	VII	–16.4	5.3	25.3
Revenue recognition	VIII	–1.9	0.8	7.1
Investment property/property for own use	IX	–6.5	–13.0	8.4
Minority interest	X	50.8	48.0	1.5
Other IFRS adjustments		–16.0	2.0	–7.0
Tax effects				12.4
Total reported under IFRS		1,337.4	3,250.5	1,022.5

(Note I) Shares subject to re-purchase agreements (IAS 32/IAS 39)

Eureko classified shares that are subject to re-purchase agreements as financial liabilities, measured at fair value. The value is calculated using the fair value of the shares based on market-based principles (in line with the re-purchase agreements). The fair value of this financial liability has been reduced at year-end by the settlement of part of the re-purchase agreements between a minority shareholder and the majority shareholder Achmea Association. The result on shares subject to re-purchase agreements represents the fair value change in 2004. Early in 2005 Eureko entered into a transaction with a third party resulting in a re-classification of the shares subject to re-purchase agreements to Total equity.

(Note II) Employee benefits (IAS 19)

Eureko decided to make use of the ‘fresh start' option as allowed under IFRS 1. A total of EUR 130.6 million was charged against retained earnings. At year-end this charge in Total equity was reduced to EUR 118.3 million due to the discontinued operations of F&C Asset Management plc. Due to the fresh start approach Eureko did not have to amortise any amounts which were above the corridor (10% of the higher of the defined benefit obligation or the fair value of the related plan assets). Under Eureko AP an amortisation charge of EUR 8 million was recognised. The additional difference relates to the curtailment effect due to the discontinued operations of F&C Asset Management plc.

(Note III) Banking operations (IAS 30, IAS 32 and IAS 39)

The impact of IFRS on the banking operations consists mainly of measuring financial instruments on amortised cost rather than on nominal value; recognition of derivatives on the Balance Sheet; and adjusting the amortised cost value of hedged items with a transitional hedge adjustment due to the application of hedge accounting at transition moment to IFRS.

The fair value movements are recognised directly in the Income Statement. Although Eureko applied hedge accounting, Eureko was not meeting the strict criteria for hedge accounting under IFRS in 2004. Due to discontinued hedge accounting relationships Eureko had to amortise the adjustment over the remaining expected maturity of the financial instruments.

The impact on the net profit 2004 was mainly caused by the amortisation charge of the transitional adjustments and the recognition of fair value changes of derivatives.

(Note IV) Investments (IAS 32 and IAS 39)
With the implementation of IFRS Eureko measured its investments at fair value. Under Eureko AP some investments were still measured at nominal value and derivatives used in hedging foreign currency risk were not recognised.

Under Eureko AP, Eureko already measured the fixed income securities and equity investments at fair value. All fair value changes, except fair value changes of fixed income securities related to Life Insurance liabilities in The Netherlands, were transferred to the Revaluation reserve as part of Total equity. Under Eureko AP this Revaluation reserve could not be negative. Any negative amounts were charged to the Income Statement as impairment losses. Reversals were credited to the Income Statement up to the losses already incurred. Under IFRS a negative Revaluation reserve is allowed, therefore the reversal of the loss did not take place in the net profit 2004 as compared to Eureko AP.

(Note V) Share based payments (IFRS 2)
Eureko has an option scheme under which options are granted to employees. Under Eureko AP, Eureko had to recognise a liability when the options are ‘in the money’ (the strike price is lower than the value of the underlying Eureko share). With the implementation of IFRS 2 Eureko classifies the option schemes as cash settled share based payments and recognises a liability. The options are measured at fair value.

Under IFRS a change in the fair value of the option price is recognised directly in the Income Statement. Under Eureko AP only when the option was ‘in the money’ Eureko had to recognise a liability, which was directly charged to Total equity.

(Note VI) Business combinations (IFRS 3)
Eureko recognised an additional amount of goodwill of EUR 5.8 million. Under Eureko AP Eureko already recognised goodwill on its Balance Sheet as the difference between the amount paid and the net assets acquired.

(Note VII) Insurance contracts (IFRS 4)
Under IFRS it is not allowed to maintain catastrophe and equalisation reserves, therefore some provisions within the insurance liabilities of the re-insurance operations were released. The application of the Liability Adequacy Test resulted in an increase in the insurance liabilities related to the Greek insurance operations.

Under Eureko AP Eureko also recognised an adequacy loss for its Greek insurance operations during 2004. The total negative impact of IFRS on Total equity decreased.

(Note VIII) Revenue recognition (IAS 18 and IAS 39)
The implementation of IFRS meant that cash flows related to financial instruments had to be amortised over the expected maturity of the instruments rather than transferring these immediately to the Income Statement.

(Note IX) Investment property and property for own use (IAS 16, IAS 36 and IAS 40)
Under IFRS Eureko measures its Property for own use at its re-valued amount with a subsequent amortisation. Under Eureko AP Eureko measured the Property for own use at fair value without any amortisation. Under Eureko AP Eureko recognised the fair value changes in Investment property as part of the Revaluation reserve. Under IFRS these changes are transferred to the Income Statement.

(Note X) Minority interest
As part of the investment portfolio, participations are held in property pools. Under Eureko AP these participations were consolidated proportionally, while under IFRS the full consolidation method is used. As a result, a minority interest for the part in these pools held by third parties has to be accounted for.

Notes to the Consolidated Financial Statements

1 Accounting policies

A. Introduction

The Consolidated Financial Statements, including the 2004 comparative figures, have been prepared in accordance with the International Financial Reporting Standards – including International Accounting Standards (IAS) and Interpretations – as at 31 December 2005 and as adopted by the European Union (hereafter IFRS). Due to the fact that this is the first year that IFRS is applied, the provisions of IFRS 1: First time adoption of IFRS have been taken into account.

Eureko's financial statements for the financial year 2004 were prepared in accordance with generally accepted accounting principles in The Netherlands. An overview of these accounting principles can be found in the Eureko Annual Report 2004. Eureko has re-stated these consolidated financial statements for comparative reasons to comply with IFRS. The effects of the adoption of IFRS on Net profit and Total equity, are explained in the Statement of reconciliation on first time adoption of IFRS, part of these Financial Statements.

All amounts in the Notes to the Consolidated Financial Statements are in millions of euros unless stated otherwise.

B. Consolidation framework

Business combinations and participating interests

Basis for consolidation

The following principles apply to the Financial Statements:

- Operating Companies over which Eureko exercises a controlling influence are fully consolidated. Generally, controlling influence is presumed to exist when the interest in the company's share capital or voting rights (including potential voting rights) represents more than 50%. These Operating Companies are fully integrated in all disclosures of these Consolidated Financial Statements. Third-party interests are presented separately in the Financial Statements under Minority interest;
- Operating Companies over which Eureko exercises significant influence are accounted for using the equity method, based on Eureko's accounting principles. Generally, significant influence is presumed to exist when the participation in the share capital or voting rights (including potential voting rights) is between 20% and 50%. These Operating Companies are presented as Associates;
- Operating Companies in which Eureko does not exercise significant influence are accounted for in accordance with the accounting principle for 'Available for sale' investments at fair value. These Operating Companies are presented as Participating interests;
- Joint Ventures are accounted for using the proportionate consolidation method.

The results of Operating Companies acquired and sold during the year are included in the Consolidated Income Statement from the date of acquisition or up to the date of transfer.

A list of all Operating Companies (Subsidiaries and Associates) and other participating interests has been lodged with the commercial register of the Chamber of Commerce in Amsterdam and is available on request.

Intergroup adjustments

Intergroup transactions have been eliminated in the Balance Sheet and Income Statement.
Profits and losses resulting from transactions with Associates are eliminated to the extent of Eureko's interest in the Associate.

Discontinued operations

The impact of discontinued operations is presented separately when they are a clearly distinguishable component of Eureko's business which is classified as 'Held for sale' or that is abandoned or disposed of, and which represents a separate major line of business or geographical area of operations.

Discontinued operations are classified as 'Held for sale' when it is highly probable that the carrying amount will be recovered principally through a sale transaction rather than continuing use.
A sale of an asset (or disposal group) is highly probable if:

- Eureko is committed to a plan to sell the asset (or disposal group) and has an active programme to locate the buyer; and
- The asset is actively marketed for sale at a price that is reasonable in relation to its current fair value; and
- The sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Discontinued operations classified as 'Held for sale' are measured at the lower of their carrying amount and fair value less costs to sell. When the sale of the discontinued operation is expected to occur beyond one year, the costs to sell are measured at their present value. Any increase in the present value of the costs to sell that arises from the passage of time, is presented in the Income Statement as Interest and similar expenses.

Segment reporting
Segment information is presented in respect of Eureko's business and geographical segments. Business segments constitute the primary format and are based on Eureko's management and internal reporting structure. The presentation distinguishes between the following activities:
- Life Insurance operations;
- Non-Life Insurance operations;
- Health operations;
- Banking operations;
- Other operations.

Segment results, assets and liabilities include items directly attributable to a segment. Unallocated items mainly comprise income-earning assets and revenues, interest-bearing loans, borrowings and expenses, and corporate assets. In presenting information on the basis of geographical segments, segment revenue is based on the geographical activities of Operating Companies.

Intergroup adjustments between segments are presented in a separate column. The reporting of the segments is based on the accounting principles as described in this section of the Financial Statements.

Use of estimates and assumptions
For the preparation of the Consolidated Financial Statements estimates and assumptions are used (e.g. for some of the reported amounts of assets and liabilities and the reported amounts of revenues and expenses for the accounting period). The use of those estimates and assumptions is in conformity with IFRS. The actual outcome may deviate from these assumptions.

Offsetting of financial assets and liabilities
Financial assets and liabilities are offset and reported at the net amount in the Balance Sheet when Eureko:
- has a legally enforceable right to set off the recognised amounts, and
- intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

C. Accounting framework

Eureko's Framework on measurement of assets and liabilities
All assets and liabilities are measured at fair value unless a different valuation basis is stated hereafter.

Recognition
Assets are recognised in the Financial Statements if it is probable that any future economic benefit associated with the specific item will flow to Eureko and the item can be reliably measured. Liabilities are recognised in the Financial Statements if it is probable that these liabilities result in an outflow of resources embodying future economic benefits and that these can be reliably measured.

Income is recognised in the Income Statement when an increase in future economic benefits related to an increase in an asset or decrease of a liability has arisen that can be reliably measured and has sufficient degree of certainty. Expenses are recognised when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. Eureko uses the effective interest rate method as the basis for calculating interest. Revenue for rendering services is recognised when the services are rendered. The work in progress is measured either at the stage of completion method or the relative passing of time.

Notes to the Consolidated Financial Statements continued

Derecognition
A financial asset is derecognised when Eureko loses control over the contractual rights that comprise that asset. This occurs when the rights are realised, expire or are surrendered. A financial liability is derecognised when it is extinguished. Financial assets which are sold are derecognised and the corresponding receivables are recognised as of the date on which Eureko commits to sell the assets.

Foreign currency differences
On consolidation, assets and liabilities of foreign subsidiaries, with functional currency other than the euro, are translated into euros at the exchange rates ruling at the balance sheet date. The results of non-euro subsidiaries are translated at the weighted average of exchange rate for the year. Translation differences arising from the application of year-end exchange rates to the opening net assets of non-euro subsidiaries and to the gains and losses for the year are transferred to Capital and reserves.

The net asset value of foreign associates, with functional currency other than the euro, are translated into euros at the exchange rates ruling at the balance sheet date. The results of non-euro associates are translated at the weighted average of exchange rate for the year. Translation differences arising from the application of year-end exchange rates to the opening net asset value of non-euro associates are transferred to Capital and reserves.

Income and expenses arising from foreign exchange transactions are translated at the rates applicable on the transaction date.

Impairment
In general, an impairment exists when the carrying amount of an asset exceeds its recoverable amount. Eureko assesses at each reporting date whether there is any indication that an asset should be impaired and whether it is necessary to recognise an impairment loss.

Impairments are recognised as an expense in the Income Statement, unless the asset is carried at a revalued amount. In these circumstances the impairment loss is treated as a revaluation decrease till the amount of the revaluations, any excess being charged as an expense in the Income Statement. For investments carried at fair value with changes to the Income Statement, Eureko does not recognise an impairment loss, because all changes are recognised in the Income Statement.

An impairment loss recognised for an asset in prior years is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount. That increase is a reversal of an impairment loss and is recognised through the Income Statement.

For goodwill, financial assets classified as Available for sale and Property for own use, the impairment process will be as stated under Intangible assets, Investments and Other assets.

D. Balance Sheet items

Intangible assets
Goodwill due to business combinations
Goodwill arising on an acquisition (business combinations) represents the excess of the cost of the acquisition over the fair value of the net identifiable assets, liabilities and contingent liabilities acquired at acquisition date. Goodwill is stated at cost less accumulated impairment losses.

Negative goodwill arising on an acquisition represents the excess of the fair value of the net identifiable assets, liabilities and contingent liabilities acquired over the cost of acquisition. The aforementioned excess is a result of a reassessment with respect to identification and measurement of the acquired identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the acquired company at acquisition date. Any negative goodwill remaining after that re-assessment is recognised immediately in the Income Statement.

The recognised goodwill will be subject to an annually applied impairment test. Any excess of the carrying amount over its recoverable amount will be recognised as an impairment loss for goodwill. The test will be performed at a fixed date within the year, and more frequently if triggering events occur.

An impairment loss recognised for goodwill will not be reversed in a subsequent period.

Internally developed software
Computer system software is capitalised and amortised over a period up to a maximum of five years, based on the useful life of the software. Internally developed computer system software is capitalised if the following criteria are met:

- Computer system software is clearly defined and the costs attributable to other intangible assets including computer system software can be separately identified;
- The technical feasibility can be demonstrated;
- The management has indicated its intention to develop and market, or use, the product or process;
- There is a clear indication of a future market for the product or process, or its usefulness can be demonstrated.

Brand name arising from a business combination
When Eureko enters into a business combination it recognises brand names as an intangible asset. The initial value of this intangible asset is based on the application of the relief of royalty method, with the use of market observable variables and management expectations. The valuation techniques used are commonly used techniques within the industry.

Intangible assets arising from a business combination
Based on management expectations, Eureko assesses whether the useful life is either finite or indefinite. When the useful life is finite, an amortisation expense is recognised. Eureko will use a maximum useful life of 20 years. The amortisation policy is linear unless a different method is more appropriate. When the useful life is indefinite, an annual impairment test is performed to assess the recoverability of the carrying amount.

Intangible assets arising from acquisition of insurance portfolios
The value of business acquired (VOBA) is equal to the present value of estimated future profits of insurance policies 'in force' related to business acquired at the time of the acquisition. The value of insurance business acquired is amortised over the expected life, with a maximum of fifteen years. The VOBA is subject to recoverability testing and to loss recognition testing at the end of each reporting period. Eureko will use a maximum life of 15 years.

Distribution networks and similar intangible assets arising from a business combination
When Eureko enters into a business combination it recognises distribution networks as an intangible asset. The initial value of this intangible asset is based on the application of multi-period excess earnings method, with the use of market observable variables and management expectations. The valuation techniques used are commonly used techniques within the industry.

Based on management expectations, Eureko assesses what the useful life should be of this intangible asset. Eureko shall use a maximum useful life of twenty years. The amortisation policy is linear unless a different method is more appropriate.

Other intangible assets
Other intangible assets that are acquired by Eureko are stated at cost less accumulated amortisation and impairment losses. Expenditure on internally generated goodwill and brands is recognised in the Income Statement as an expense as incurred. Research costs are considered to be an expense.

Subsequent expenditures
Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. Internally generated goodwill and brandnames are not capitalised.

Amortisation is charged to the Income Statement on a straight-line basis over the estimated useful lives of intangible assets. The amortisation charge is recognised under Other expenses. Intangible assets are amortised from the date they are available for use.

Notes to the Consolidated Financial Statements continued

Investments

Fair value measurement of investments

The fair value measurement of investments is based on a fair value hierarchy:

- The quoted price in an active market (bid price at trade date);
- If the market for a financial instrument is not active, Eureko establishes fair value by using a valuation technique. These include using recent 'arm's-length' market transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same and discounted cash flow analysis;
- If the measurement above cannot generate a reliable fair value, then it is assumed that the best estimation of the fair value is the original cost of the investment.

In partly derecognition of investments, Eureko uses the average cost method.

Classification of investments

Investments classified as 'At fair value through income statement'

This classification is used for all investments of Eureko that are held for trading and at initial recognition are designated to be measured at fair value with changes in fair value transferred to the Income Statement regardless of Eureko's intentions. Interest income is determined using the effective interest rate method.

Investments classified as 'Available for sale'

This classification is used for investments of Eureko that are backing insurance liabilities. These investments are measured at fair value. Unrealised fair value changes are transferred to a separate component of Shareholders' equity net of deferred tax, with the exception of Investment in fixed-income securities within the Dutch life insurance business. For these investments, the unrealised fair value changes are transferred to Profit sharing, bonuses and rebates. Realised fair value and foreign currency results on fixed income investments are transferred to the Income Statement. Interest income is determined by using the effective interest rate method.

When a decline in the fair value of an 'Available for sale' financial asset has been recognised directly in Shareholders' equity and there is objective evidence that the asset is impaired, the cumulative net loss that has been recognised will be removed from Shareholders' equity and recognised in the Income Statement for the period. Impairment losses on debt instruments will be reversed through the Income Statement.

Investments classified as 'Loans and Receivables'

This classification is used for all investments of Eureko that are backing financial liabilities measured at amortised cost and for mortgages which are directly linked to insurance liabilities not measured at fair value or market based interest. Eureko uses the effective interest rate method when recognising interest income. Foreign currency differences are transferred directly to the Income Statement.

Derivatives

Eureko uses derivatives (e.g. interest rate swaps and forward exchange contracts) to manage its exposure to foreign exchange, interest rate, and commodity price risks arising from operational, financing and investment activities. Forward exchange contracts are stated at quoted market price. The fair value of interest rate swaps is the estimated amount that Eureko would receive or pay to terminate the swap at reporting date, taking into account current interest rates and creditworthiness of the swap counter parties. Derivatives are either presented under Other financial investments or under Derivatives depending on their value and stated at fair value; changes in the fair value are included in the Income Statement.

Derivatives in financial instruments are separated if they are not closely related to the host instrument. Derivatives are classified under the category 'At fair value through Income Statement'. These derivatives are disclosed and measured separately.

Eureko separates convertible bonds classified as 'Available for sale' into a bond part and a derivative (equity conversion feature). The bond part is measured according to the valuation of a similar bond with the same characteristics.

For certain portfolios, Eureko applies hedge accounting to mitigate the effects of changes of the carrying amount of investments due to changes in the spot rates of foreign currencies and interest rates. See also Hedge accounting (section H).

Venture capital investments
Venture capital investments are accounted for at fair value with changes through the Income Statement unless the venture capital investments are considered to be subsidiaries. On the assets and liabilities of these investments recognised as subsidiaries, Eureko Accounting Principles are applied.

Investment property
Investments in real estate are stated at fair value. Fair value is based on current prices in an active market for similar properties in the same location and condition or on commonly used valuation models. All fair value changes are recognised directly in the Income Statement. Rental income from Investment property is recognised in the Income Statement under Investment income. Any possible impairment will be transferred to the Income Statement as a fair value change.

Investments backing linked liabilities
Investments backing linked liabilities are investments where the investment risk is borne by the policyholder. These investments comprise of segregated investments contracts deposits for Group Life contracts with full profit sharing, unit-linked Life insurance policies, investment contracts and investments covering obligations under policies where the benefits are index-linked. These investments are measured at fair value with changes through the Income Statement.

Other investments: Finance lease (lessor)
Finance leases (lessor) are recorded in the Balance Sheet as Other investments at an amount equal to the net investment in the lease. Lease rentals are apportioned between the finance income and the amortisation of the outstanding capital. The recognition of finance income reflects a constant periodic rate of return on the outstanding balance of the finance lease.

Accounting for agreements to re-purchase or re-sell securities
Securities purchased under re-sale agreements are not shown separately in the Consolidated Balance Sheet, but are included within loans and advances to credit institutions, and loans and advances to customers. The receivables are shown as collaterised by the underlying security. Securities sold under re-purchase agreements are measured in accordance with the accounting policy for either assets ‘At fair value through income statement’ or ‘Available for sale’ as appropriate. The proceeds from the sale of the investments are reported as liabilities to either banks or customers. The difference between the sale and re-purchase considerations is recognised on an accrual basis over the period of the transaction and is included in interest.

Accounting for securities borrowing and lending
Investments lent under securities lending arrangements continue to be recognised in the Balance Sheet and are measured in accordance with the accounting policy for assets ‘At fair value through income statement’ or ‘Available for sale’ as appropriate. Cash collateral received in respect of securities lent is recognised as liabilities to either banks or customers. Investments borrowed under securities borrowing agreements are recognised under Loans and borrowings. Cash collateral placements in respect of securities borrowed are recognised under loans and advances to banks or customers. Income and expenses arising from the securities borrowing and lending business are recognised on an accrual basis over the period of the transactions and are included in interest income or expense.

Split result on investments for the insurance activities between technical and non-technical account
All results on investments for the insurance activities are accounted for in the technical accounts Life, Non-Life, and Health. Results not relating to the technical provisions are accounted for in the non-technical account.

Banking credit portfolio
The banking assets consist of loans and advances to customers and loans and advances to credit institutions. These assets are measured at amortised cost and classified as ‘Loans and Receivables’. Foreign currency results are transferred to the Income Statement.

Notes to the Consolidated Financial Statements continued

The amortised cost value of the ‘Banking credit portfolio’ is adjusted by an allowance account to reflect identified incurred losses and incurred but not yet reported losses within the portfolio.

Eureko applies hedge accounting for its banking and treasury operations. See also Hedge accounting (section H).

Deferred acquisition costs
Deferred acquisition costs are expenses of the Insurance company, which are incurred in connection with the acquisition of new insurance policies or the renewal of existing policies (including investment contracts). They include commissions paid and cost of processing proposals. Acquisition costs that are directly or indirectly related to the selling of insurance contracts (or investment contracts), which are not valued at fair value, are deferred to the extent that they are deemed recoverable from future revenues. The Deferred acquisition costs are subject to recoverability testing at the time of policy issue and to loss recognition testing at the end of each reporting period. Eureko does not consider anticipated investment income in the determination of the recoverability. Any unrecoverability leads to subsequent impairment loss. The impairment loss is included in the operating expenses of the technical accounts as an additional amortisation charge. Deferred acquisition costs are amortised in equal instalments over the lifetime of the insurance contracts.

Amounts ceded to re-insurers
Re-insurance premiums ceded and re-insurance recoveries on benefits and claims incurred are deducted from the respective income and expense accounts. Pre-paid re-insurance represents the ceded portion of unearned premiums. Amounts recoverable from re-insurance are estimated in a manner consistent with the claim liability associated with the re-insured risk. Eureko adjust these amounts with the credit risk characteristics associated with the re-insurer. Accordingly, revenues and expenses related to re-insurance agreements are recognised consistently with the underlying risk of the business re-insured.

Receivables
The accounts receivable on direct insurance business and accounts receivable on re-insurance business stated under Receivables are due within one year.

Other assets
Equipment
Equipment is stated at cost less accumulated amortisation and impairment losses. Where an equipment comprises major components having different useful lives, they are accounted for as separate items of equipment. Expenditure incurred to replace a component of an item of equipment that is accounted for separately, including major inspection and overhaul expenditure, is capitalised. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the equipment. All other expenditure is recognised in the Income Statement as an expense as incurred.

The depreciation method and useful lives of items of equipment are reviewed periodically and altered if circumstances or expectations have changed significantly. Any change is accounted for as a change in accounting estimate by changing the depreciation charge for the current and future periods. Depreciation is charged to the Income Statement on a straight-line basis over the estimated useful lives of items of equipment, and major components that are accounted for separately. The estimated useful lives are equipment (three-six years), fixtures and fittings (five-ten years) and major components (three-five years).

Property for own use
Property for own use is stated at the revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Changes in the carrying amount resulting from revaluations of the property are recorded in Shareholders’ equity, taking into account the related taxes.

Property that is being constructed or developed for future use as Investment property is classified as 'Property in development' and stated at cost until construction or development is complete, at which time it is re-classified as 'Investment property'.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property for own use. All other expenditure is recognised in the Income Statement as an expense as incurred.

Where an item of property comprises major components having different useful lives, they are accounted for as separate items of property.

Depreciation is charged to the Income Statement on a straight-line basis over the estimated useful economic lives of items of property, and major components that are accounted for separately. Land is not depreciated. For each building the useful economic life is determined separately. The depreciation method and useful economic lives of items of property are reviewed periodically and altered if circumstances or expectations have changed significantly. The useful life of property is a maximum of 50 years.

When an item of Property for own use is revalued, the depreciation charge is eliminated against the gross carrying amount of that item of Property for own use. If the carrying amount is increased as a result of a revaluation, the increase shall be credited directly to Shareholders' equity. However, the increase shall be recognised in the Income Statement to the extent that it reverses a revaluation decrease of the same asset previously recognised in the Income Statement. If the carrying amount is decreased as a result of a revaluation, the decrease shall be recognised in the Income Statement. However, the decrease shall be debited directly to Shareholders' equity to the extent of any credit balance existing in the revaluation reserve in respect of that asset.

Impairment of Property for own use is treated as a revaluation decrease, a reversal of impairment loss is treated as a revaluation increase.

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

Total equity
Parent company (treasury) shares held by Eureko or its Operating Companies are accounted for by a reduction of Total equity at the moment of purchase on the basis of the fair value calculation of Eureko, which correspond to an approximate market value in accordance with the valuation arrived at by an independent expert.

Insurance liabilities
General valuation principles
Premiums for Life insurance products are generally recognised as premium income when due. Premiums for Non-Life insurance contracts are generally recognised in proportion to the amount of insurance coverage provided. For premiums collected by agents and brokers, but not yet passed on, Eureko has made a reliable estimate. In these cases the reporting date will shift by a maximum of three months.

Included in premiums is a loading for expenses. When the premiums are actually received or become receivable, the loadings emerge and are available to offset actual expenses, including maintenance expenses, non-deferrable acquisition expenses and amortisation of the Deferred acquisition costs. Other levies on premiums are included in premium income.

When premiums are recognised, liabilities for future policy benefits are recorded, resulting in benefits and expenses being matched with the revenues and profits being recognised over the lifetime of the contracts. The assumptions used in the calculation of the provisions are conservative.

Most of the variables used in the models for calculating risk and uncertainty are based on objective external published data or when not available sufficient internal data.

Notes to the Consolidated Financial Statements continued

The reasonableness of the assumptions is reviewed annually through liability adequacy testing. If the tests show that insurance liabilities are inadequate, the liabilities are increased accordingly and charged through the Income Statement.

In case Eureko has a participation in underwriting pools, co-insurance and guarantee fund agreements, an amount equal to the proportionate share in these agreements is recognised under the according liability. The information used is received from the administrators of these agreements.

Options, guarantees and other derivatives embedded in an insurance contract that do not bear any insurance risk for Eureko and that are not clearly and closely related to the host insurance contract, are separately recognised as a derivative. Options and guarantees that are closely related to the insurance contract are stated at fair value and included in Insurance liabilities.

Provisions for Life policy liabilities (Life)
Based on the matching characteristics between (financial) assets and the Life policy liabilities and the specific nature of the portfolios, profit sharing features and embedded options, Eureko chooses the accounting principle which is applied to measure the Life policy liabilities.

Insurance liabilities for traditional Life insurance contracts are established by the net-level premium method, and based on the actuarial and economic assumptions used in pricing the contracts. The assumptions on which the calculations are based vary, particularly with regard to mortality, morbidity and interest rates. These assumptions are initially based on best estimates of future experience at policy inception data, in some instances taking into account a margin for the risk of adverse deviation. The assumptions used are regularly reviewed, compared to actual experience and, if necessary, depending on the type of products, updated. The provisions for Unearned premiums, Unexpired risks and Outstanding claims are included to the extent that these relate to the Life insurance business.

Mortality rate assumptions are based on the current tables commonly used in the industry, which are adjusted to reflect Eureko's own experience and to allow for the trend in the mortality risk over the coming years. Withdrawal assumptions are based on historical experience.

- Insurance liabilities measured at fair value. All assumptions used are based on actual assumptions and current market interest rates. Fair value changes are directly transferred to the Income Statement. The related financial investments are classified as 'At fair value through income statement'; all fair value changes are transferred to the Income Statement.
- Insurance liabilities of which the cash flows are based measured on locked assumptions are discounted at either the lowest of actual interest rates or technical discount rate. The Life policy liabilities are measured using the technical discount rate. The fair value changes of related interest sensitive financial instruments, classified as 'Available for sale', are transferred to the 'Profit sharing, bonuses and rebate'. The minimum amount of this provision should be at least the difference between the values of the Life policy liabilities discounted at the market based interest rate and the actuarial discount rate. The value may not be negative.
- Insurance liabilities of which the cash flows are directly influenced by profit sharing features are adjusted through the application of IFRS shadow accounting. Unrealised fair value changes of investments (classified as 'Available for sale') backing the insurance liabilities which contain a discretionary participation feature, are transferred to Total equity. The increase is then transferred to the Insurance liabilities.
- Insurance liabilities of which the cash flows are discounted using market-based interest rates. The related financial investments are classified as 'At fair value through Income Statement'; all fair value changes are transferred to the Income Statement.

The Provision for Life policy liabilities not measured at fair value or discounted using market-based interest rates is net of the capitalised interest surplus rebates found in the Dutch Life insurance industry. These rebates are granted in any year on regular or single premiums for Pension and Life insurance, which are based on the expectation that actual investment yields will exceed the discount rate applied in the pricing of the policies. The rebates are amortised over a 10 year period on the basis of annually rising amounts, which is consistent with the manner in which the interest surplus is realised.

Profit sharing, bonuses and rebates (Life)
An explicit provision is made for any profit share that the policyholder or beneficiary is entitled to. Vested rights that have not yet been credited to policyholder accounts are reported separately as the provision for profit sharing and rebates. Other vested rights are included in the provision for Life policy liabilities. The calculations of the provision depend on the extent to which policyholders benefit from any surpluses earned on insurance policies.

The provision includes amounts allocated under the relevant local statutory or contractual regulations to the accounts of the policyholders in the form of experience rates or participation in profits. The provision includes amounts arising from the valuation of certain investments of Eureko at market value and the technical provisions. Unrealised gains and losses in connection with the valuation of investments are recognised in the Insurance liabilities to the extent that the policyholder will participate in such gains and losses on the basis of statutory or contractual regulations when they are realised.

Provisions for unearned premiums (Non-Life and Health)
Premiums written, attributable to income of future years are accrued in unearned premiums. The provision for unearned premiums is determined in proportion to the unexpired risk term on net premiums. For insurance policies covering a risk increasing during the term of the policy at premium rates independent of age, this risk is taken into account in determining the provision.

Outstanding claims provision (Non-Life and Health)
The Outstanding claims provision relates to insurance claims that have not been settled at reporting date, including claims incurred but not reported, and are determined either case-by-case or statistically. In determining the provisions, reliable estimates of costs still to be incurred for claims handling have been taken into account.

The liability is based on estimates of expected losses and unexpired risks for all lines of business. This takes into consideration management's judgement on the anticipated level of inflation, regulatory risks and trends in claims. Estimates of expected losses are developed using historical claims experience, actual versus estimated claims experience, other known trends and developments, and local regulatory requirements. No deductions are made for salvage, subrogations and other expected recoveries from third parties. These are accounted for under Non-insurance assets acquired by exercising right to recoveries (Other assets).

The liabilities are undiscounted except for disability insurance policies. Here the provision reflects the present value of the expected claims payments, calculated on the basis of actuarial interest rate. Waiting periods are taken into account when determining the provision. The average term has been estimated considering the probability of rehabilitation.

For some risk exposures no adequate statistical data are available, such as environmental and asbestos claims and large-scale individual claims, because some aspects of these types of claims are still evolving. Provisions have been made for such claims following an analysis of the portfolio in which such risks occur.

Provisions for premium deficiency and unexpired risk (Non-Life and Health)
The Provision for premium deficiency and unexpired risk is calculated individually for each insurance portfolio on the basis of estimates of future claims, costs, premium earned and proportionate investment income. This provision also incorporates the reserve for advancing age in Health insurance.

Insurance liabilities for policyholders
The insurance liabilities for annual Life funds and insurance products where the policyholder bears the investment risk, are accounted for at the value of the associated investments. The insurance liabilities for segregated investment deposits are generally calculated on the same basis as the provision for Life policy liabilities.

Investment contracts
These contracts are contracts where insignificant transfer of insurance risk exists. These contracts are measured at fair value with changes through the Income Statement.

Notes to the Consolidated Financial Statements continued

The fair value is the higher of the fair value of linked investments (if applicable), the surrender value (adjusted for surrender penalties) or the discounted maturity value (using risk free interest rate). This fair value is adjusted for directly related transaction costs, which are amortised up to the duration of the contracts.

Employee benefits
Contributions payable to a defined contribution pension plan are recognised as an expense in the Income Statement as incurred.

The net obligation in respect of defined benefit obligation is calculated separately for each defined benefit plan using the 'projected unit credit method'. In accordance with this method, the future benefit that employees have earned in return for their service in the current period and prior periods is estimated. The liability is then discounted to determine the present value, and the fair value of any plan assets is deducted. The rates used for salary developments, interest discount factors, and other pension adjustments reflect the specific country conditions.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the Income Statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the Income Statement. The actuarial gains and losses related to the differences between the actuarial and financial assumptions used in the calculations and the actual amounts obtained, are recognised following the corridor method.

Eureko's net obligation in respect of other long-term service benefits, other than pension plans, is the amount of future benefit that employees have earned in return for their service in the current period and prior periods. The obligation is calculated using the 'projected unit credit method' and is discounted to its present value and the fair value of any related assets is deducted.

Other provisions
Other provisions are recognised in the Balance Sheet when a legal or constructive obligation, which can be reliably estimated, exists as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the time effect is longer than a year, provisions are calculated by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time, value of money and, when appropriate, the risks specific to the liability.

A provision for re-structuring is recognised when management has approved a detailed and formal re-structuring plan, and the re-structuring has either commenced or has been announced to the parties concerned. Costs relating to the ongoing activities of Eureko are not provided for.

Eureko provides an equity compensation plan for employees in the form of a equity participation plan. This plan is classified as a cash settled share based payment. At each reporting date, Eureko estimates the fair value of this obligation.

Banking customer accounts/Loans and borrowings
Deposits and other funds entrusted are recognised under 'Banking customer accounts'. These liabilities are measured at amortised cost. Loans and borrowings include all loans from external parties to Eureko, finance lease liabilities and financial re-insurance liabilities. These are measured at amortised cost.

Eureko applies fair value hedge accounting to some loans when this in is accordance with the financial risk management policy. See also Hedge accounting (section H).

Eureko is measuring some financial liabilities at fair value when these liabilities are recognised due to the sale of financial assets (not being securitisations). Any fair value changes due to changes in creditworthiness are disclosed separately in the accompanying disclosure note.

Taxation
Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the Income Statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in Shareholders' equity. The taxation is based on valuation against nominal value.

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

Deferred tax is provided using the balance sheet liability method, providing 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 provided is based on the expected manner of 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.

E. Income Statement
In the Income Statement of the insurance activities the allocation of investment income to the technical account is based on a yield related to the insurance liabilities, which is based on asset-liability management studies. The remaining part of the investment income is allocated to the non-technical account.

When optional dividends are taken up as shares, an amount equal to the cash dividend is credited to income.

F. Cash flow statement
The cash flow statement has been set up according to the indirect method with a breakdown into cash flow from operating, investing, banking and financing activities.

G. Critical accounting estimates
Eureko has a firm belief in the assumptions used for managing the companies. However, many of the parameters are subject to uncertainty and the actual experience may differ from that assumed. Furthermore, such variation may be material. This is clearly the case for assumptions on future interest rates, inflation and longevity, but also for assumptions based on legislation affecting claims on general insurance. To stay in control of this uncertainty, Eureko monitors both reserve levels and solvency levels closely. Where future experience is expected to differ significantly from this, allowance will be made (e.g. longevity assumptions).

The assumptions for pricing of new products and for the purpose of testing insurance liabilities are based on a combination of experience within Eureko and market benchmarks such as those supplied by the statistics department of the Dutch Association of Insurers and the Dutch Society of Actuaries (for example mortality tables) and similar bodies throughout Europe. Where possible, Eureko uses market observable variables and models/techniques which are commonly used in the sector. Where there is insufficient data to make reliable assumptions, or where data cannot be reliably accessed, a conservative view is taken.

Proposed premiums are assessed by (discounted) profit testing. This is a deterministic test where the outcomes of different scenarios are calculated. Actuaries within each Operating Company are responsible for setting the standards to be applied and for approving the results (in terms of pricing and product design). Major pricing proposals are explicitly approved by the Executive Board of Eureko and/or by local Boards of Directors outside The Netherlands.

When discounting cash flows Eureko uses a benchmark curve. The benchmark curve used is the zero curve as derived from the swap curve, which is supplied by Bloomberg. For accounting purposes Eureko uses the 'mid swap' of the last working day of each month. For pricing and profit testing daily downloads of the swap curve are made available. Eureko uses similar curves for those Operating Companies which are outside the eurozone.

Notes to the Consolidated Financial Statements continued

H. Hedge accounting

Eureko applies fair value hedge accounting for its banking and treasury operations. When Eureko is applying fair value hedge accounting, Eureko recognises a fair value adjustment to reflect the changes in fair value of the hedged items. These changes are transferred to the Income Statement. Eureko assesses the effectiveness of the hedge relationship at each reporting date. Eureko discontinues the hedge relationship when the effectiveness is not between the 80% and 125% range or when the hedge is terminated or revoked. After discontinuance of the hedge relationship, Eureko starts amortising the related fair value adjustment over the remaining duration of the hedged item.

When Eureko applies cash flow hedge accounting, the fair value change of the hedging instruments (derivatives) are reflected (effective part of the hedge relationship) in Total equity into a separate component. Only the fair value changes related to the not-used part of the hedging instrument and ineffective part of the hedge relationship are transferred to the Income Statement. When the hedge relationship is discontinued, the cash flow reserve is only released to the Income Statement to the extent of the materialised risk, which was previously hedged (release is in the same period as the risk).

For certain investment portfolios Eureko applies hedge accounting to mitigate the effects of fair value changes and the effects of changes in the spot rates of foreign currencies. Recognition of the gain or loss attributable to the hedged risk in profit or loss applies if the hedged item is an 'Available for sale' financial asset. Eureko assesses the effectiveness of the hedge relationship at each balance sheet date. Eureko discontinues the hedge relationship when the effectiveness is not between the 80% and 125% range or when the hedge is terminated or revoked.

I. Fair value

The fair value of financial instruments that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques (e.g. models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the department that created them. All models are tested and validated before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only market observable data; however areas such as credit risk, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair values of financial instruments.

The following summarises the major methods (and assumptions used) in estimating the fair values of financial instruments reflected in the balance sheet:

- The fair values for non-listed equity instruments are calculated using broker quoted averages or discounted dividend cash flow techniques using market observable variables where possible. If this information is not existing and expectations are difficult to make, Eureko measures these equity instruments at their cost.
- The fair values of Investment property is based on appraisals from independent suveyors. Their appraisals are based upon agreed procedures within their industry. Techniques used are discounted cash flow techniques with adjustments based on comparable investment properties.
- The estimated fair values for fixed income securities are calculated based on quoted market prices. For those notes where quoted market prices are not available, a discounted cash flow model is used based on a current yield curve appropriate for the remaining term to maturity.
- The estimated fair value for venture capital investments are based on the models as advised by the European Venture Capital Association. Venture capital investments are transferred to Investments or Investments in associated companies at the moment when they are listed on an accepted stock exchange. When the models are inappropriate Eureko uses a discounted cash flow model based on a current yield curve appropriate for the credit risk and other risk characteristics of the investment.
- The Banking credit portfolio are net of provisions for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value. The fair value of floating rate inter-bank placements and overnight deposits is their carrying amount. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity.
- The fair value of investment contracts is the higher of the fair value of the financial assets linked to the investment contract, the surrender value (adjusted for any surrender penalties) and the discounted maturity value (against a risk-free interest rate). The fair value for non-linked investment contracts is the higher of the discounted maturity value using a risk-free interest rate or the surrender value (adjusted for surrender penalties).
- The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount re-payable on demand. The estimated fair value of fixed interest-bearing deposits and other borrowings without quoted market price is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

The principal euro exchange rates are summarised in the following table:

		Closing rates		Average rates	
		2005	2004	2005	2004
Pound Sterling	GBP	0.6857	0.7043	0.6975	0.7043
Canadian Dollar	CAD	1.3770	1.6420	1.5045	1.6370
Australian Dollar	AUD	1.6120	1.7480	1.6745	1.7100
Danish Kronar	DKK	7.4630	7.4370	7.4515	7.4415
Polish Zlotys	PLN	3.8550	4.1000	3.9725	4.3975
Japanese Yen	YEN	139.2000	139.7000	138.8500	137.0500
Slovak Koruna	SKK	38.2000	39.0000	38.6000	40.0000
Swedish Kronar	SEK	9.4100	9.0500	9.2050	9.0550
Swiss Franc	CHF	1.5560	1.5450	1.5493	1.5520
US Dollar	USD	1.1829	1.3655	1.2668	1.3130

2 Segment reporting

Segment information is presented in respect of Eureko's business and geographical segments.

The primary format, business segments, is based on Eureko's management and internal reporting structure. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise income-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses, associates, goodwill and intangible assets. Inter-segment pricing is determined on an 'arm's-length' basis.

For the secondary segment format, on the basis of geographical segments, segment revenue is based on the geographical location of customers. The geographical segments are defined by the home countries where the different Operating Companies sell their products:

* Achmea & Interpolis : The Netherlands, Belgium and Luxembourg
* Friends First : Ireland
* Interamerican : Greece
* Union : Slovakia
* Other : France, Romania and other

Notes to the Consolidated Financial Statements continued

Segment Group Consolidated Balance Sheet as of 31 December 2005

	Life insurance	Non-Life insurance	Health	Banking	Other activities	Intergroup adjustments	**Total 2005**
Assets							
Intangible assets	467.4	145.3	122.7		1,639.8	–0.1	**2,375.1**
Investments in associated companies	231.7	12.3	6.7		1,965.9	–112.3	**2,104.3**
Investment property	1,278.7	38.1			113.5	–0.1	**1,430.2**
Investments	28,631.4	5,034.4	3,227.5	774.9	1,242.4	–3,801.9	**35,108.7**
Investments backing linked liabilities	19,101.6		111.5			0.1	**19,213.2**
Banking credit portfolio				16,457.9		0.9	**16,458.8**
Deferred tax assets	710.6	26.4	14.9	60.9	122.1	186.8	**1,121.7**
Deferred acquisition costs	442.2	82.8	20.5			–0.2	**545.3**
Income tax receivable	44.5	8.6	39.1	74.1	387.6	–515.7	**38.2**
Amounts ceded to re-insurers	420.2	273.3	141.2				**834.7**
Receivables	1,214.2	491.6	969.8	113.2	388.2	–970.3	**2,206.7**
Other assets	181.5	55.2	72.5	140.7	571.3	–42.2	**979.0**
Cash and cash equivalents	704.7	205.8	615.4	113.6	697.1	–1,459.3	**877.3**
Total assets	**53,428.7**	**6,373.8**	**5,341.8**	**17,735.3**	**7,127.9**	**–6,714.3**	**83,293.2**
Shareholders' equity	3,628.5	1,483.2	1,249.0	519.9	1,145.2		**8,025.8**
Other equity instruments					496.3		**496.3**
Capital and reserves	**3,628.5**	**1,483.2**	**1,249.0**	**519.9**	**1,641.5**		**8,522.1**
Minority interest	0.7		–0.2		2.5		**3.0**
Total equity	**3,629.2**	**1,483.2**	**1,248.8**	**519.9**	**1,644.0**		**8,525.1**
Liabilities							
Insurance liabilities	26,346.9	3,734.1	3,087.1				**33,168.1**
Insurance liabilities for policyholders	15,632.3		54.5			–0.1	**15,686.7**
Investment contracts	3,059.9	0.3					**3,060.2**
Employee benefits	1,405.6	4.9	2.5	0.4	650.7		**2,064.1**
Other provisions	22.6	19.3	46.9	20.0	119.6	0.1	**228.5**
Banking customer accounts				7,314.1		–1,978.6	**5,335.5**
Loans and borrowings	118.3	73.9	66.3	8,951.9	2,549.1	–1,894.0	**9,865.5**
Derivatives				609.0	27.9	–5.5	**631.4**
Deferred tax liabilities	696.9	196.0	43.4	1.8	44.2	180.7	**1,163.0**
Income tax payable	214.0	210.6	61.8	46.3	303.1	–442.6	**393.2**
Other liabilities	2,303.0	651.5	730.5	271.9	1,789.3	–2,574.3	**3,171.9**
	49,799.5	**4,890.6**	**4,093.0**	**17,215.4**	**5,483.9**	**–6,714.3**	**74,768.1**
Total liabilities and Total equity	**53,428.7**	**6,373.8**	**5,341.8**	**17,735.3**	**7,127.9**	**–6,714.3**	**83,293.2**

The intergroup adjustments consist of the elimination of intergroup finance activities which are mainly related to the financing of the mortgage portfolio of the Banking segment by the Life insurance segment and the intergroup Treasury activities.

Segment Group Consolidated Balance Sheet as of 31 December 2004

	Life insurance	Non-Life insurance	Health	Banking	Other activities	Intergroup adjustments	Total 2004
Assets							
Intangible assets	14.2		10.7		331.1		356.0
Investments in associated companies	91.3	37.7	5.2		1,428.8	–95.4	1,467.6
Investment property	1,017.9	36.7			87.5	–0.1	1,142.0
Investments	17,668.4	2,671.0	2,142.9	781.1	1,549.4	–3,922.7	20,890.1
Investments backing linked liabilities	7,906.5		135.7			0.1	8,042.3
Banking credit portfolio				16,991.7		–50.0	16,941.7
Deferred tax assets	450.5	20.3	18.0	61.8	216.7	3.0	770.3
Deferred acquisition costs	347.0	7.6	2.4			–0.2	356.8
Income tax receivable	54.1	0.4	13.8	75.8	129.3	–254.1	19.3
Amounts ceded to re-insurers	248.3	234.9	43.3				526.5
Receivables	375.5	296.4	489.9	89.1	382.6	–531.4	1,102.1
Other assets	456.4	62.1	68.8	–22.8	313.5	–142.4	735.6
Cash and cash equivalents	704.7	242.6	193.4	115.8	499.1	–1,194.8	560.8
Total assets	**29,334.8**	**3,609.7**	**3,124.1**	**18,092.5**	**4,938.0**	**–6,188.0**	**52,911.1**
Shareholders' equity	1,604.7	707.9	625.0	489.8	–226.3		3,201.1
Other equity instruments							
Capital and reserves	**1,604.7**	**707.9**	**625.0**	**489.8**	**–226.3**		**3,201.1**
Minority interest	48.1		–0.4		1.7		49.4
Total equity	**1,652.8**	**707.9**	**624.6**	**489.8**	**–224.6**		**3,250.5**
Liabilities							
Shares subject to re-purchase agreements					790.0		790.0
Insurance liabilities	16,426.4	2,357.4	1,845.3				20,629.1
Insurance liabilities for policyholders	6,112.8		103.2				6,216.0
Investment contracts	1,840.8						1,840.8
Employee benefits	1,224.7	5.2	2.5	0.3	379.7		1,612.4
Other provisions	15.9	17.0	31.9	18.9	83.9		167.6
Banking customer accounts				7,958.3		–2,208.0	5,750.3
Loans and borrowings	72.7	1.8	17.3	8,681.6	2,233.0	–1,676.2	9,330.2
Derivatives	0.5			717.9	106.5	0.1	825.0
Deferred tax liabilities	400.6	58.2	–4.8	2.1	11.4	–13.2	454.3
Income tax payable	64.1	137.3	38.3	25.5	39.2	–180.9	123.5
Other liabilities	1,523.5	324.9	465.8	198.1	1,518.9	–2,109.8	1,921.4
	27,682.0	**2,901.8**	**2,499.5**	**17,602.7**	**5,162.6**	**–6,188.0**	**49,660.6**
Total liabilities and Total equity	**29,334.8**	**3,609.7**	**3,124.1**	**18,092.5**	**4,938.0**	**–6,188.0**	**52,911.1**

The intergroup adjustments consist of the elimination of intergroup finance activities which are mainly related to the financing of the mortgage portfolio of the Banking segment by the Life insurance segment and the intergroup Treasury activities.

Notes to the Consolidated Financial Statements continued

Segment Group Consolidated Income Statement for the year 2005

	Life insurance	Non-Life insurance	Health	Banking	Other activities	Intergroup adjustments	Total 2005
Income							
Net earned premiums	2,533.4	1,595.4	2,091.0			–13.7	**6,206.1**
Contributions received for health pooling			284.2				**284.2**
Income from associated companies	30.7	1.6	–0.1		264.0	0.1	**296.3**
Investment income	871.4	100.0	102.5		108.1	–164.8	**1,017.2**
Realised and unrealised gains and losses	611.1	49.5	36.0		–1.7	0.2	**695.1**
Income from investments backing linked liabilities	1,755.3		9.4				**1,764.7**
Banking income				846.4		–5.0	**841.4**
Fee and commission income and income from service contracts	12.6		194.2		203.0	–22.3	**387.5**
Other income	26.5	26.0	55.8		57.3	–37.9	**127.7**
Total income	**5,841.0**	**1,772.5**	**2,773.0**	**846.4**	**630.7**	**–243.4**	**11,620.2**
Expenses							
Net claims and movements in insurance liabilities	2,726.1	1,027.5	2,028.7			0.1	**5,782.4**
Profit sharing, bonuses and rebates	603.9		77.2			0.1	**681.2**
Movements in insurance liabilities for policyholders	1,411.2		–23.7				**1,387.5**
Benefits on investment contracts	366.0					–0.1	**365.9**
Operating expenses	479.2	406.4	459.7	121.2	238.2	–49.7	**1,655.0**
Banking expenses				681.8		–119.5	**562.3**
Interest and similar expenses	15.2	0.9	2.1		148.7	–60.5	**106.4**
Other expenses	37.9	17.0	117.8	7.2	86.9	–13.4	**253.4**
Total expenses	**5,639.5**	**1,451.8**	**2,661.8**	**810.2**	**473.8**	**–243.0**	**10,794.1**
Profit before tax and discontinued operations	201.5	320.7	111.2	36.2	156.9	–0.4	**826.1**
Discontinued operations			–8.2	–4.5		–0.1	**–12.8**
Profit before tax	**201.5**	**320.7**	**103.0**	**31.7**	**156.9**	**–0.5**	**813.3**
Income tax expenses							**107.6**
Net profit for the year of the Group							**705.7**
Minority interest							**0.2**
Net profit							**705.9**

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Segment Group Consolidated Income Statement for the year 2004

	Life insurance	Non-Life insurance	Health	Banking	Other activities	Intergroup adjustments	Total 2004
Income							
Net earned premiums	2,074.5	1,361.6	1,726.9				5,163.0
Contributions received for health pooling			274.5				274.5
Income from associated companies	1.1	0.6		0.1	150.5	–0.2	152.1
Result on shares subject to re-purchase agreement					–87.9		–87.9
Investment income	771.0	73.0	82.2		107.0	–157.3	875.9
Realised and unrealised gains and losses	255.1	69.3	16.1		4.6	–4.2	340.9
Income from investments backing linked liabilities	518.8		7.7			0.1	526.6
Banking income				875.9		–35.7	840.2
Fee and commission income, and income from service contracts	12.2		217.2		183.8	–17.1	396.1
Other income	25.6	8.8	51.7		55.5	–39.4	102.2
Total income	**3,658.3**	**1,513.3**	**2,376.3**	**876.0**	**413.5**	**–253.8**	**8,583.6**
Expenses							
Net claims and movements in insurance liabilities	2,628.7	919.0	1,748.1				5,295.8
Profit sharing, bonuses and rebates	165.0		25.7			–7.5	183.2
Movements in insurance liabilities for policyholders	61.8						61.8
Benefits on investment contracts	128.6						128.6
Operating expenses	444.5	342.0	492.5	146.5	212.4	–16.6	1,621.3
Banking expenses				767.4		–153.9	613.5
Interest and other similar expenses	13.5	0.9	5.8		162.2	–92.3	90.1
Other expenses	31.3	4.8	28.2	28.3	102.5	8.3	203.4
Total expenses	**3,473.4**	**1,266.7**	**2,300.3**	**942.2**	**477.1**	**–262.0**	**8,197.7**
Profit before tax and discontinued operations	184.9	246.6	76.0	–66.2	–63.6	8.2	385.9
Discontinued operations				43.2	700.6		743.8
Profit before tax	**184.9**	**246.6**	**76.0**	**–23.0**	**637.0**	**8.2**	**1,129.7**
Income tax expenses							108.0
Net profit for the year of the Group							**1,021.7**
Minority interest							0.8
Net profit							**1,022.5**

Notes to the Consolidated Financial Statements continued

Income Statement

Technical Account Life Insurance

	2005	2004
Income		
Gross written premiums Life	2,807.2	2,311.7
Re-insurance premiums	–272.9	–239.0
Net written premiums	2,534.3	**2,072.7**
Change in provision for unearned premiums	–0.9	1.8
Re-insurer's share		
Net earned premiums	2,533.4	**2,074.5**
Investment income	910.5	801.6
Realised and unrealised gains and losses	611.1	255.1
Income from investments backing linked liabilities	1,762.0	525.9
Other technical income	10.2	7.0
Total income	5,827.2	**3,664.1**
Expenses		
Gross claims policyholders	2,121.6	2,343.5
Re-insurer's share	–88.4	–47.8
	2,033.2	**2,295.7**
Changes in provisions for Life insurance	690.2	329.2
Re-insurer's share	2.7	3.8
	692.9	**333.0**
Claims net of re-insurance	2,726.1	**2,628.7**
Profit sharing, bonuses and rebates	603.9	165.0
Movements in insurance liabilities for policyholders	1,411.2	61.8
Benefits on investment contracts	366.0	128.6
Operating expenses	479.2	444.4
Investment expenses	51.1	38.3
Interest and similar expenses	15.2	12.8
Investment income allocated to the non-technical account	118.9	52.6
Other technical expenses	25.6	16.3
Total expenses	5,797.2	**3,548.5**
Result technical account Life	30.0	**115.6**

Non-Technical Account Life Insurance

	2005	2004
Income		
Result technical account Life	30.0	115.6
Allocated investment income	118.9	52.6
Other investment income non-technical account Life	5.3	0.6
Fee and commission income and income from service contracts	12.6	12.2
Other income	47.0	19.7
Total income	213.8	**200.7**
Expenses		
Investment and interest expenses		0.7
Operating expenses		0.1
Other expenses	12.3	15.0
Total expenses	12.3	**15.8**
Profit before tax and discontinued operations	201.5	**184.9**

Technical Account Non-Life Insurance

	2005	2004
Income		
Gross written premiums Non-Life	1,698.6	1,477.4
Re-insurance premiums	–124.1	–110.0
Net written premiums	1,574.5	**1,367.4**
Change in provision for unearned premiums	23.2	–5.4
Re-insurer's share	–2.3	–0.4
Net earned premiums	1,595.4	**1,361.6**
Investment income	106.1	78.0
Realised and unrealised gains and losses	49.5	69.3
Other technical income	19.6	4.0
Total income	1,770.6	**1,512.9**
Expenses		
Gross claims policyholders	970.3	869.5
Re-insurer's share	–34.0	–35.8
	936.3	**833.7**
Gross change in outstanding claims provisions	92.0	65.9
Re-insurer's share	–0.8	19.4
	91.2	**85.3**
Claims net of re-insurance	1,027.5	**919.0**
Operating expenses	406.4	342.0
Investment expenses	7.0	5.0
Interest and similar expenses	0.9	0.9
Investment income allocated to the non-technical account	29.4	18.9
Other technical expenses	7.2	0.1
Total expenses	1,478.4	**1,285.9**
Result technical account Non-Life	292.2	**227.0**

Non-Technical Account Non-Life Insurance

	2005	2004
Income		
Result technical account Non-Life	292.2	227.0
Allocated investment income	29.4	18.9
Other investment income non-technical account Non-Life	0.9	
Other income	8.0	5.4
Total income	330.5	**251.3**
Expenses		
Other expenses	9.8	4.7
Total expenses	9.8	**4.7**
Profit before tax and discontinued operations	320.7	**246.6**

Notes to the Consolidated Financial Statements continued

Technical Account Non-Life by class of business

2005	Accident	Motor liability	Motor other	Transport/ aviation	Property	General liability	Other	**Total**
Gross written premiums	99.0	462.3	401.9	61.4	444.1	122.1	107.8	**1,698.6**
Gross earned premiums	91.3	459.0	418.9	61.9	458.7	122.7	109.3	**1,721.8**
Investment income	6.4	52.1	10.9	2.1	13.9	14.9	–23.6	**76.7**
Realised and unrealised results		8.3	1.3	2.0	7.8	2.1	28.0	**49.5**
Other technical income and expenses	–5.0	–3.0	0.5		2.3	1.1	15.6	**11.5**
Gross claims	–29.0	–347.2	–246.8	–32.8	–180.6	–70.1	–63.8	**–970.3**
Movements in insurance liabilities for policyholders	0.6	–29.0	–1.5	3.0	–52.8	–14.3	2.0	**–92.0**
Result on re-insurance	–7.5	3.8	–1.8	–10.7	–48.6	–6.7	–20.1	**–91.6**
Operating and investment expenses	–18.5	–90.8	–92.0	–14.6	–122.6	–32.7	–42.2	**–413.4**
Result technical account Non-Life	**38.3**	**53.2**	**89.5**	**10.9**	**78.1**	**17.0**	**5.2**	**292.2**

2004	Accident	Motor liability	Motor other	Transport/ aviation	Property	General liability	Other	Total
Gross written premiums	69.7	426.9	366.4	58.4	366.2	98.0	91.8	1,477.4
Gross earned premiums	67.2	421.6	367.4	58.3	366.8	97.7	93.0	1,472.0
Investment income	5.1	63.1	8.8	3.1	16.5	14.4	–51.9	59.1
Realised and unrealised results		2.5	0.1	0.6	0.9	0.5	64.7	69.3
Other technical income and expenses	–1.2	–2.7	1.2		3.2	1.2	1.3	3.0
Gross claims	–20.5	–333.2	–208.7	–33.1	–168.0	–57.9	–48.1	–869.5
Movements in insurance liabilities for policyholders	–7.2	–51.1	3.5	–3.3	29.9	–29.7	–8.0	–65.9
Result on re-insurance	–0.9	–8.7	–5.5	–8.6	–59.9	–4.6	–5.8	–94.0
Operating and investment expenses	–13.8	–96.8	–70.0	–13.4	–87.2	–24.8	–41.0	–347.0
Result technical account Non-Life	**28.7**	**–5.3**	**96.8**	**3.6**	**102.2**	**–3.2**	**4.2**	**227.0**

Technical Account Health

	2005	2004
Income		
Gross written premiums Health	2,071.6	1,735.2
Re-insurance premiums	–13.8	–11.2
Net written premiums	2,057.8	1,724.0
Change in provision for unearned premiums	31.9	2.7
Re-insurer's share	1.3	0.2
Net earned premiums	2,091.0	1,726.9
Contributions received for health pooling	284.2	274.5
Investment income	103.9	83.5
Realised and unrealised gains and losses	36.0	16.1
Income from investments backing linked liabilities	9.4	8.0
Other technical income	9.3	11.9
Total income	2,533.8	2,120.9
Expenses		
Gross claims policyholders	1,883.5	1,571.8
Re-insurer's share	–20.9	–5.6
	1,862.6	1,566.2
Gross change in outstanding claims provisions	133.3	179.7
Re-insurer's share	9.1	2.2
	142.4	181.9
Claims net of re-insurance	2,005.0	1,748.1
Profit sharing, bonuses and rebates	77.2	25.7
Operating expenses	239.0	201.0
Investment expenses	1.4	1.9
Interest and similar expenses	1.9	2.9
Investment income allocated to the non-technical account	28.2	4.8
Other technical expenses	102.2	22.9
Total expenses	2,454.9	2,007.3
Result technical account Health	78.9	113.6

Non-Technical Account Health

	2005	2004
Income		
Result technical account Health	78.9	113.6
Allocated investment income	28.2	4.8
Other investment income non-technical account Health		0.3
Fee and commission income, and income from service contracts	194.2	217.2
Other income	46.4	39.8
Total income	347.7	375.7
Expenses		
Investment and interest expenses	0.2	2.9
Operating expenses	220.7	291.5
Other expenses	15.6	5.3
Total expenses	236.5	299.7
Profit before tax and discontinued operations	111.2	76.0

Notes to the Consolidated Financial Statements continued

Income Statement Banking

	2005	2004
Interest income	829.3	883.6
Interest expenses	–668.6	–747.2
Net interest margin	160.7	**136.4**
Commission income	24.9	35.1
Commission expense	–13.2	–20.2
Net commission income	11.7	**14.9**
Income from associates and investments		0.1
Realised and unrealised results	–13.2	–59.7
Other operating income	5.4	16.9
Operating income	164.6	**108.6**
Operating expenses	121.2	146.5
Other expenses	7.2	28.3
Total expenses	128.4	**174.8**
Profit before tax and discontinued operations	36.2	**–66.2**

Income Statement Other Activities

	2005	2004
Income		
Income from associated companies	264.0	150.5
Investment income	111.7	107.0
Realised and unrealised gains and losses	–1.7	4.6
Fee and commission income, and income from service contracts	203.0	183.8
Other income	57.3	–32.4
Total income	634.3	**413.5**
Expenses		
Operating expenses	238.2	212.4
Financial expenses	2.6	13.0
Interest expenses	148.7	162.2
Other expenses	87.9	89.5
Total expenses	477.4	477.1
Profit before tax and discontinued operations	156.9	**–63.6**

Geographical segment reporting, including intergroup adjustments

	Benelux	Ireland	Greece	Slovakia	Other	**Total 2005**	Total 2004
Gross written premium income Life	2,244.9	233.7	175.3	8.8	144.5	**2,807.2**	2,311.7
Gross written premium income Non-Life	1,508.0	3.3	136.8	14.6	35.9	**1,698.6**	1,477.4
Gross written premium income Health	2,030.4		36.1		5.1	**2,071.6**	1,735.2
Total premium	**5,783.3**	**237.0**	**348.2**	**23.4**	**185.5**	**6,577.4**	**5,524.3**
Banking income	813.0	28.4				**841.4**	840.2
Fee and commission income, and income from service contracts	293.0	15.3	79.0		0.2	**387.5**	396.1
Total assets	75,290.8	5,567.6	1,776.4	47.8	610.6	**83,293.2**	52,911.1
Capital expenditure	86.1	41.6	7.5	0.7	2.9	**138.8**	53.9

Notes to the Consolidated Balance Sheet

(Amounts in millions of euros, unless otherwise stated)

3 Discontinued operations

For 2005 Profit discontinued operations comprise:

Argonaut Advies & Bemiddeling	**–8.3**
Banque Colbert Luxembourg S.A.	**–4.5**
Profit on discontinued operations	**–12.8**

Disposal of Argonaut Advies & Bemiddeling

On 1 October 2005, Eureko disposed of 100% of the share capital of Argonaut Advies & Bemiddeling. This company operated in the segment Health within the Benelux. For the period of 1 January 2005 up to the disposal date, Argonaut Advies & Bemiddeling contributed Operating income of EUR –8.3 million (the whole year 2004: EUR –0.6 million).

The details of assets and liabilities disposed of are:

	2005	2004
Other assets	**4.0**	9.7
Other liabilities	**0.3**	5.2
Net assets	**3.7**	**4.5**

In 2005, Eureko had no cash flows due to the disposal of Argonaut Advies & Bemiddeling. The final proceeds (payment for) of the sale are depending on the turnover of the disposed entities in 2006 and 2007.

Notes to the Consolidated Financial Statements continued

Disposal of Banque Colbert Luxembourg S.A.

On 31 October 2005, Eureko disposed of 100% of the share capital of Banque Colbert Luxembourg S.A. This company operated in the segment Banking within the Benelux. For the period of 1 January 2005 up to the disposal date Banque Colbert Luxembourg S.A. contributed Operating income of EUR –4.5 million (the whole year 2004: EUR –2.0 million).

The details of assets and liabilities disposed of are:

	2005	2004
Cash and cash equivalents	4.3	2.6
Banking credit portfolio	182.4	140.7
Other assets	6.3	3.3
Banking customer accounts/Loans and borrowings	176.8	126.3
Other liabilities	13.0	10.9
Net assets	**3.2**	**9.4**

Eureko had no cash flows due to the disposal of Banque Colbert Luxembourg S.A.

4 Acquisitions of subsidiaries

Acquisitions

Business Combination Achmea Health–OZF

As of 1 February 2005, Eureko effectively obtained control over 100% of the shares of N.V. Ongevallen en Ziektekostenverzekeringsmaatschappij OZF.

The acquired business contributed revenues of EUR 33.0 million and a net profit of EUR 0.1 million to the Group for the period from 1 February 2005 to 31 December 2005. Details of net assets acquired and goodwill are as follows:

Cost of the Business Combination Achmea Health–OZF	
Cash paid	13.5
Total cost of the business combination Achmea–OZF	13.5
Fair value of the net assets acquired	–8.6
Goodwill	4.9

The calculated goodwill is attributable to synergies which cannot be individually identified and to intangible assets (Brandname and Customer relations) which are included in goodwill because their amounts are considered to be limited.

The carrying amount of the assets and liabilities acquired were similar to their fair value as at 1 January 2005.

	Acquiree's carrying amount 1 February 2005	Fair value 1 February 2005
Assets		
Investments	8.9	8.9
Receivables	7.9	7.9
Other assets	0.1	0.1
Total assets	**16.9**	**16.9**
Equity	8.6	8.6
Liabilities		
Insurance liabilities	7.2	7.2
Other liabilities	1.1	1.1
Total liabilities	**8.3**	**8.3**
Total liabilities and equity	**16.9**	**16.9**

Business Combination Eureko-Interpolis

Based on the letter of intent signed on 27 April between Eureko and Rabobank, Eureko effectively obtained control over 100% of the shares of Interpolis N.V. as of 31 October 2005. The shares were legally transferred on 15 November 2005.

The merger includes all the insurance operations, service and pension administration activities of Interpolis. No entities or parts are to be disposed as a result of the business combination.

The acquired business contributed gross written premiums of EUR 616.8 million and net profit of EUR 18.6 million to the Group for the period from 1 November 2005 to 31 December 2005. If the acquisition had occurred on 1 January 2005, Group gross written premiums would have been EUR 9,846.7 million, and net profit before allocations would have been EUR 917.9 million. Details of net assets acquired and goodwill are as follows:

Cost of the Business Combination Eureko–Interpolis	
–Direct cost relating to the acquisition	**5.5**
–Value of shares issued	**3,344.1**
–Transaction cost relating to the issue of new shares	**0.4**
Total cost of the business combination Achmea–Interpolis	**3,350.0**
Fair value of the net assets acquired	**–2,346.0**
Goodwill	**1,004.0**

Notes to the Consolidated Financial Statements continued

Eureko issued 106,129,722 shares (of which 29,598,985 formerly classified as treasury shares) to Rabobank, valued at EUR 31.51 per share (valuation as at 31 October 2005). The fair value of the share price of Eureko at the acquisition date was calculated using Eureko valuation principles. The valuation is based upon a regression analysis of comparable companies' price to embedded value compared with prospective normalised return on embedded value. The regression analysis is subsequently improved by a multi-variable approach that takes into account the 'riskiness' relative to peers as measured by 'beta' against the DJ Stoxx Europe Insurance index, and the dividend payout ratio.

The fair values of net assets acquired are deemed to be provisional as some fair values are only calculated exactly at year-end or some additional information may become available after the reporting date. Any subsequent possible changes due to the availability of more accurate fair values will be treated as adjustments on the original fair values and/or goodwill if the adjustment becomes known within twelve months after the acquisition date. The calculated goodwill will be allocated in 2006 to the relevant cash generating units within Eureko.

The calculated goodwill is mainly attributed to the synergies which cannot be allocated on an individual level towards the combined entity and expected new business related to the direct writers' channel. Eureko recognises new intangible assets due to the business combinations: the distribution channels Rabobank and existing brokers, Customer relationships, Brand name Interpolis, Value of Business Acquired (related to the Insurance operations) and Software. All these intangible assets were valued as of the acquisition date. All the recognised intangible assets have finite useful lives.

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount 31 October 2005	Fair value 31 October 2005
Assets		
Intangible assets	28.0	797.0
Investments in associated companies	20.0	20.0
Investment property	264.0	272.0
Investments	12,568.0	12,607.0
Investments backing linked liabilities	8,423.0	8,423.0
Deferred tax assets	396.5	245.2
Deferred acquisition costs	130.0	130.0
Amounts ceded to re-insurers	175.0	175.0
Receivables	712.0	712.0
Other assets	244.0	258.0
Cash and cash equivalents	613.0	613.0
Total assets	**23,573.5**	**24,252.2**
Total equity	2,092.0	2,346.0
Liabilities		
Insurance liabilities	11,181.0	11,199.0
Insurance liabilities for policyholders	7,820.0	7,820.0
Investment contracts	660.0	660.0
Employee benefits	44.0	292.0
Other provisions	56.0	59.0
Loans and borrowings	429.0	495.0
Deferred tax liabilities	639.5	631.5
Income tax payable	68.0	66.0
Other liabilities	584.0	683.7
Total liabilities	**21,481.5**	**21,906.2**
Total liabilities and Total equity	**23,573.5**	**24,252.2**

After the balance sheet date Eureko entered into a business combination with the national health funds of Zilveren Kruis Achmea, Groene Land PWZ Achmea and OZB Health insurance N.V. The expected financial impact is disclosed under Note 54 Subsequent events.

5 Intangible assets

	Goodwill	Internally developed software	Brand name	Value of business acquired	Distribution networks	Other intangible assets finite	**Total 2005**	Total 2004
Cost								
Balance at 1 January	239.0	40.6		151.5		1.7	**432.8**	145.7
Acquisitions	1,008.9	80.8	91.0	441.5	89.3	94.4	**1,805.9**	281.6
Disposals								–4.1
Adjustment capitalised goodwill	216.3						**216.3**	
Change in composition of the Group	**1,225.2**	**80.8**	**91.0**	**441.5**	**89.3**	**94.4**	**2,022.2**	**277.5**
Other movements		27.1					**27.1**	9.6
Foreign currency differences	–0.1					–0.1	**–0.2**	–
Balance at 31 December	**1,464.1**	**148.5**	**91.0**	**593.0**	**89.3**	**96.0**	**2,481.9**	**432.8**
Amortisation and impairment losses								
Balance at 1 January		28.2		48.6			**76.8**	45.3
Acquisitions								
Disposals								–1.7
Change in composition of the Group								**–1.7**
Amortisation charge for the year		7.7	1.5	18.1	1.5	0.8	**29.6**	11.6
Impairment loss								21.6
Foreign currency differences	0.3	0.1					**0.4**	
Balance at 31 December	**0.3**	**36.0**	**1.5**	**66.7**	**1.5**	**0.8**	**106.8**	**76.8**
Carrying amount								
At 1 January	239.0	12.4		102.9		1.7	**356.0**	100.4
At 31 December	**1,463.8**	**112.5**	**89.5**	**526.3**	**87.8**	**95.2**	**2,375.1**	**356.0**

Goodwill

The carrying amount of goodwill is allocated to the following cash generating units:

	2005	2004
Holding	**1,421.7**	222.8
Health – The Netherlands	**4.9**	10.4
Life – The Netherlands	**21.0**	
Non-Life – The Netherlands	**12.4**	2.0
Banking – The Netherlands	**3.8**	3.8
	1,463.8	**239.0**

Notes to the Consolidated Financial Statements continued

The adjustment in goodwill in 2005 of EUR 216.3 million is related to business combinations as performed in 2004:

- Eureko B.V. and Bank Millennium S.A. have signed a settlement agreement regarding the Share Sale Agreement (of 21 December 2004) in accordance with which Eureko acquired from Bank Millennium the latter's 10% shareholding in PZU S.A. The settlement agreement is in respect of the final sale price of these shares. The final sale price was determined by two independent international investment banks.
- The fair value of the insurance liabilities acquired due to the business combination Levob has been adjusted to reflect accurately the longevity risk attached to these liabilities.

The goodwill amounting to EUR 1,004.0 million relating to the business combination Eureko-Interpolis is allocated to the cash generating unit Holding in 2005, and will be divided over the cash generating units Health – The Netherlands, Life – The Netherlands, Non-Life – The Netherlands and Holding in 2006.

When testing for impairment, the recoverable amount of a cash generating unit is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by the Executive Board covering a three-year period. Cash flows beyond the three-year period are extrapolated using the estimated growth rates. The applied estimate growth rate does not exceed the long-term average past growth rate for the insurance business in which the cash generating unit operates.

The value-in-use for the Non-Life, Banking and Holding segments is calculated based on a dividend discount model using the most recent business plans and expectations regarding the growth of the industry. The dividends are determined based on the level of capital over and above an assumed adequate capitalisation level. The dividends so determined have been discounted at the cost of capital relevant for the specific cash generating unit. The value-in-use for the Life segments is based on an appraisal value methodology. This comprises embedded value and the value of future new business. The value of future new business is projected for a total of ten years.

6 Investments in associated companies

Investments in associated companies classified by influence

	Net equity method	Available for sale	**Total 2005**	Total 2004
Associates	1,185.1		**1,185.1**	952.7
Participating interest		919.2	**919.2**	514.9
	1,185.1	**919.2**	**2,104.3**	**1,467.6**

Associates

Name of the company	Country	% ownership 2005	Net asset value 2005	**Book value 2005**	Book value 2004
PZU S.A.	Poland	31.80	934.2	**934.2**	709.0
F&C Asset Management plc	United Kingdom	20.95	217.2	**217.2**	215.9
Other				**33.7**	27.8
				1,185.1	**952.7**

The fair value of the listed associate F&C Asset Management plc as at 31 December 2005 amounted to EUR 261.1 million (2004: EUR 254.9 million).

	2005			2004
	Equity value	Loan	Total	Total
Balance at 1 January	951.6	1.1	**952.7**	635.5
Acquisitions	20.0		**20.0**	260.2
Disposals				–343.5
Change in composition of the Group	**20.0**		**20.0**	**–83.3**
Investments and loans granted	2.6	–0.1	**2.5**	223.5
Sales and disposals	–17.8		**–17.8**	
Change in net equity value	6.7		**6.7**	1.5
Annual results	266.4		**266.4**	132.8
Revaluations	–51.1		**–51.1**	4.0
Dividend received	–71.0		**–71.0**	–15.6
Foreign currency differences	47.9		**47.9**	75.0
Impairments	–0.5	–0.4	**–0.9**	–1.0
Other changes	30.3	–0.6	**29.7**	–19.7
Balance at 31 December	**1,185.1**		**1,185.1**	**952.7**

Regarding the associates stated according to the net equity method the summarised financial statements are included in the table below. The values are based on the financial statements of the associates for the financial year 2004 and calculated in accordance with the accounting principles of the associates. The amounts are translated into euros at the exchange rate ruling at the balance sheet date.

	2004			
Name of Company	Total assets	Total liabilities	Revenue	Profit
PZU S.A.	9,503.5	7,463.1	3,505.5	533.7
F&C Asset Management plc	2,860.3	1,697.9	211.7	–27.5

Name of Company	Description of business	Date of acquisition
PZU S.A.	Insurance	1999-2004
F&C Asset Management plc	Asset management	2004

Investments in other participating interests (carried at fair value)

Name of Company		2005	2004
MillenniumBCP	Portugal	**588.3**	356.4
Friends Provident plc	United Kingdom	**329.8**	157.2
Other		**1.1**	1.3
		919.2	**514.9**

Notes to the Consolidated Financial Statements continued

	2005	2004
Balance at 1 January	**514.9**	306.1
Investments and loans granted	**135.7**	169.3
Fair value changes	**158.4**	36.3
Foreign currency differences	**4.1**	
Change in value due to fair value hedge accounting	**7.2**	
Changes due to re-classification	**103.4**	
Other changes	**– 4.5**	3.2
Balance at 31 December	**919.2**	**514.9**

For 116,335,744 shares (3.24%) of the interest in MillenniumBCP, as included in Participating interests, the free marketability is restricted due to shareholders' agreements.

7 Investment property

	2005	2004
Balance at 1 January	**1,142.0**	1,075.3
Acquisitions	**272.0**	63.2
Disposals		
Change in composition of the Group	**272.0**	**63.2**
Purchases	**86.2**	6.1
Sales	**–103.9**	–33.3
Revaluation recognised in income	**50.2**	33.4
Accrued rent	**–0.3**	–8.1
Other movements	**–42.8**	
Transfers	**26.8**	5.4
Balance at 31 December	**1,430.2**	**1,142.0**

The carrying amount of investment real estate is the fair value of the real estate as determined by a registered independent expert surveyor. For all Investment property expert surveys of real estate have been conducted within the previous five years.

The rental income of EUR 83.2 million has been reported in the Income Statement as investment income (2004: EUR 77.1 million).

8 Investments

Investments classified by nature

	Available for sale	At fair value through Income Statement	Loans and Receivables	**Total 2005**	Total 2004
Equities and similar investments	3,785.7	821.0		**4,606.7**	2,775.2
Bonds	19,029.4	4,730.1		**23,759.5**	15,893.9
Loans	969.9	11.0	3,349.6	**4,330.5**	1,251.4
Mortgages	8.5	709.8	392.2	**1,110.5**	54.9
Deposits with re-insurers	8.8			**8.8**	11.6
Deposits with credit institutions	62.9	367.0		**429.9**	133.6
Derivatives		842.8		**842.8**	724.1
Other financial investments	18.2	1.8		**20.0**	45.4
	23,883.4	**7,483.5**	**3,741.8**	**35,108.7**	**20,890.1**

Under the classification 'At fair value through income statement' Eureko includes any derivatives which are used for hedging purposes. The amount of derivatives which are classified as trading is EUR 167.7 million (2004: EUR 127.5 million).

The carrying value of securities under re-purchase agreements amounts to EUR 3,273.8 million (2004: EUR 5,067.5 million). The fair value of collateral accepted amounted to EUR 3,353.6 million (2004: EUR 5,254.4 million). Eureko has a variety of collateral policies in place. Collateral requirements vary depending on the type of facility. The minimum level varies by collateral type, more risky collateral types demanding a higher degree of collateralisation.

Notes to the Consolidated Financial Statements continued

Investments classified as ‘Available for sale’ and ‘At fair value through income statement’

	Equities and similar investments	Bonds	Loans	Mortgages	Deposits with re-insurers	Deposits with credit institutions	Derivatives	Other financial investments	Total 2005	Total 2004
Balance at 1 January	2,775.2	15,893.9	1,251.4	54.9	11.6	133.6	724.1	45.4	**20,890.1**	17,626.1
Acquisitions	1,098.0	6,399.7	196.0	716.2		174.6	73.0		**8,657.5**	898.3
Disposals										–4.9
Change in composition of the Group	**1,098.0**	**6,399.7**	**196.0**	**716.2**		**174.6**	**73.0**		**8,657.5**	**893.4**
Investments and loans granted	2,125.5	18,619.1	196.7	6.4	0.7	2,356.8	1,793.6	258.8	**25,357.6**	17,351.4
Disinvestments and disposals	–1,902.2	–17,781.2	–651.9	–56.2	–3.5	–2,236.4	–1,761.9	–286.9	**–24,680.2**	–16,026.0
Fair value changes	528.5	510.8	1.4	–3.0		–0.7	8.9	2.7	**1,048.6**	1,067.9
Foreign currency differences	93.6	69.7	–0.2			0.7	5.1		**168.9**	–59.7
Impairments	–8.5								**–8.5**	–1.6
Reversal of impairments										0.7
Accrued interest		47.5	–11.2			1.3			**37.6**	18.8
Changes due to re-classification	–103.4								**–103.4**	
Other movements			–1.3						**–1.3**	19.1
Balance at 31 December	**4,606.7**	**23,759.5**	**980.9**	**718.3**	**8.8**	**429.9**	**842.8**	**20.0**	**31,366.9**	**20,890.1**

A total amount of EUR 27,118.7 million (2004: EUR 17,325.6 million) of the Investments classified as ‘Available for sale’ and ‘At fair value through income statement’ is measured using a valuation technique.

Equities and similar investments

	2005	2004
Equity investments	**4,534.0**	2,709.3
Other	**72.7**	65.9
Total	**4,606.7**	**2,775.2**
Listed	**3,434.0**	1,752.6
Unlisted	**1,172.7**	1,022.6
	4,606.7	**2,775.2**

Unlisted Equities and similar investments includes investment funds of EUR 1,046.6 million (2004: EUR 876.1 million) and Venture capital investments of EUR 126.1 million (2004: EUR 146.5 million). These investment funds mainly consist of listed equity. Venture capital is valued in accordance with the EVCA guidelines.

Bonds

	2005	2004
Bonds and notes issued by:		
– Government	**14,938.7**	13,061.7
– Other public sector issuers	**97.9**	59.7
– Other issuers	**8,722.9**	2,772.5
	23,759.5	**15,893.9**
Listed	**23,684.7**	15,483.0
Unlisted	**74.8**	410.9
	23,759.5	**15,893.9**

Unlisted bonds are priced making use of the Interpolated Euro Swap Curve, which is a commonly used market method. Yield spreads and swap curves are obtained from an independent outside source (broker).

Loans and mortgages

	2005	2004
Investment loans	**884.1**	1,200.2
Loans and mortgages to policyholders	**573.9**	1.2
Loans and mortgages to employees	**0.2**	0.1
Other loans and mortgages	**241.0**	104.8
	1,699.2	**1,306.3**

Deposits with re-insurers

	2005	2004
Deposits within the European Union	**8.8**	11.6
	8.8	**11.6**

Deposits with credit institutions

	2005	2004
Deposits within the European Union	**423.2**	130.8
Other	**6.7**	2.8
	429.9	**133.6**

Derivatives

	2005	2004
Interest rate derivatives	**639.0**	414.8
Currency derivatives	**24.4**	132.3
Equity derivatives	**167.7**	127.5
Other derivatives	**11.7**	49.5
	842.8	**724.1**

Details of the nature of the derivative instruments outstanding at the balance sheet date are set out in Note 53.

Notes to the Consolidated Financial Statements continued

Analysis of fixed-income securities by expected time to maturity

	Bonds	Loans	Mortgages	Deposits with re-insurers	Deposits with credit institutions	Other financial investments	**Total 2005**	Total 2004
Under 3 months	862.4	124.9	89.9		357.1	9.1	**1,443.4**	282.7
3-12 months	1,617.9	25.0	44.0	8.8	49.1		**1,744.8**	3,151.7
1-2 years	1,911.2	299.7	20.4		6.4	0.1	**2,237.8**	1,278.5
2-3 years	2,075.3	145.2	64.9		13.8		**2,299.2**	2,276.3
3-4 years	1,260.7	54.8	40.7		1.8		**1,358.0**	762.7
4-5 years	1,203.6	72.8	67.6		0.5		**1,344.5**	629.2
Over 5 years	14,828.4	258.5	390.8		1.2	10.8	**15,489.7**	9,058.7
Balance at 31 December	**23,759.5**	**980.9**	**718.3**	**8.8**	**429.9**	**20.0**	**25,917.4**	17,439.8

Impairments

	Available for sale	**Total 2005**	Total 2004
Impairment loss during the year	–8.5	**–8.5**	–1.6
Reversal of impairment loss			0.7

The impairment loss in 2005 is related to Investments in equities and similar investments. As a result of a profit warning, the recoverable amount of these instruments were below the carrying amount and were written down to their recoverable amount.

The impairment loss recognised in the current period is included in Realised and unrealised gains and losses (Note 38).

Investments classified as ‘Loans and Receivables’

	Loans	Mortgages	**Total 2005**	Total 2004
Balance at 1 January				
Acquisitions	3,517.6	396.9	**3,914.5**	
Disposals				
Change in composition of the Group	**3,517.6**	396.9	**3,914.5**	
Investments and loans granted	169.7	0.2	**169.9**	
Disinvestments and disposals	–381.3	–9.1	**–390.4**	
Amortisation		–0.9	**–0.9**	
Foreign currency differences	0.9		**0.9**	
Other movements	42.7	5.1	**47.8**	
Balance at 31 December	**3,349.6**	**392.2**	**3,741.8**	

Loans and Mortgages

	2005	2004
Loans and mortgages to policyholders	**392.2**	
Loans and mortgages to employees	**0.2**	
Other loans and mortgages	**3,349.4**	
	3,741.8	

Analysis of fixed-income securities by expected time to maturity

	Loans	Mortgages	Total 2005	Total 2004
Under 3 months		47.8	**47.8**	
3-12 months	0.6	22.5	**23.1**	
1-2 years	1.7	29.1	**30.8**	
2-3 years	10.7	27.1	**37.8**	
3-4 years	55.5	49.6	**105.1**	
4-5 years	227.6	28.0	**255.6**	
Over 5 years	3,053.5	188.1	**3,241.6**	
Balance at 31 December	**3,349.6**	**392.2**	**3,741.8**	

Financial instruments measured at amortised costs are fully related to fixed income securities held by Interpolis to match technical provisions that are measured on an amortised cost basis. The comparable instruments held by Achmea are part of the Banking Credit portfolio as they are held by Achmea Hypotheek Bank N.V.

Notes to the Consolidated Financial Statements continued

9 Investments backing linked liabilities

This item comprises mainly investments funding unit-linked Life insurance policies, investments to cover obligations under policies where the benefits are index-linked (performance linked contracts) and investment contracts.

Group entities keep these investments separate from other investments and invest them separately, in accordance with the requirements towards the policyholders. Investments are held on account for and at risk of life insurance policyholders. Therefore policyholders are entitled to all the gains recorded and to the total amount of the investments shown under this heading, but they also have to carry any losses. For this reason the liability heading Insurance liabilities on behalf of policyholders and Investment contracts are related to this account. These investments are classified as 'At fair value through profit or loss'.

	2005	2004
Investment property	**837.0**	530.6
Equities and similar investments	**12,230.9**	6,417.7
Bonds and other fixed income securities	**3,141.0**	902.0
Derivatives	**94.6**	55.5
Other investments	**2,909.7**	136.5
	19,213.2	**8,042.3**

Net income on assets held to cover linked insurance liabilities in the Income Statement includes all investment income and expenses.

Investments backing linked liabilities

	Investment property	Equities and similar investments	Bonds and other fixed income	Derivatives	Other	**Total 2005**	Total 2004
Balance at 1 January	530.6	6,417.7	902.0	55.5	136.5	**8,042.3**	6,997.6
Acquisitions	145.3	4,031.7	1,859.8	2.3	2,383.9	**8,423.0**	660.0
Disposals							
Change in composition of the Group	**145.3**	**4,031.7**	**1,859.8**	**2.3**	**2,383.9**	**8,423.0**	**660.0**
Investments and loans granted	264.5	3,044.2	2,406.3	946.9	634.8	**7,296.7**	3,293.6
Disinvestments and disposals	–174.9	–2,793.7	–2,055.8	–926.2	–244.2	**–6,194.8**	–3,342.4
Fair value changes recognised in income	71.5	1,493.7	27.9	16.1	0.5	**1,609.7**	446.9
Foreign currency differences		37.3	0.8		–1.8	**36.3**	–13.4
Balance at 31 December	**837.0**	**12,230.9**	**3,141.0**	**94.6**	**2,909.7**	**19,213.2**	**8,042.3**

The carrying amount of investment real estate is the fair value of the real estate as determined by a registered independent expert surveyor. The expert surveys of real estate were conducted in the five previous years.

Other mainly concerns saving accounts related to life insurance policies. These saving accounts are held by Rabobank Group.

10 Banking credit portfolio

Banking credit portfolio classified by nature

The banking credit portfolio is classified as Loans and Receivables.

	2005	2004
Credit institutions:		
Loans and advances to banks	**448.7**	1,451.6
Cash and balances with banks	**493.3**	91.2
Treasury bills and other bills eligible for re-discounting with the Central Bank	**139.8**	98.6
Cash advances, overdrafts and other balances due on demand	**54.9**	7.5
	1,136.7	**1,648.9**
Loans:		
Secured by mortgages	**13,714.1**	13,544.4
Other loans and advance to public sector	**673.4**	410.3
Other corporate loans	**916.0**	1,292.7
Non-performing	**121.5**	148.1
	15,425.0	**15,395.5**
Total (excluding Allowance account)	**16,561.7**	17,044.4
Allowance account	**102.9**	102.7
	16,458.8	**16,941.7**

Movement table

	Credit institutions	Loans	Total 2005	Total 2004
Balance at 1 January (excl. Allowance account)	1,648.9	15,395.5	**17,044.4**	16,966.5
Acquisitions				438.5
Disposals				–35.2
Change in composition of the Group				**403.3**
Investments and loans granted	455.0	2,228.5	**2,683.5**	3,168.7
Disinvestments and disposals	–960.1	–2,164.9	**–3,125.0**	–3,444.2
Amortisation		3.6	**3.6**	10.7
Change in value due to fair value hedge accounting		–20.9	**–20.9**	
Other movements	–7.1	–16.8	**–23.9**	–60.6
Balance at 31 December (excl. Allowance account)	**1,136.7**	**15,425.0**	**16,561.7**	**17,044.4**
Balance at 1 January (Allowance account)		102.7	**102.7**	100.5
Additional allowances		17.5	**17.5**	6.1
Allowances used		–7.8	**–7.8**	–3.9
Amounts released		–9.5	**–9.5**	
Balance at 31 December (Allowance account)		**102.9**	**102.9**	**102.7**
Carrying amount				
At 1 January	1,648.9	15,292.8	**16,941.7**	16,866.0
At 31 December	**1,136.7**	**15,322.1**	**16,458.8**	**16,941.7**

As at 31 December 2005, the carrying amount of the loans is affected by impairment losses amounted to EUR 102.9 million (2004: EUR 102.7 million). The carrying amount is reduced through use of an allowance account. The impairment loss at 31 December 2005 is mainly a result of individual assessments of the expected cash flows in relation to the loans.

For the year ended 31 December 2005 the interest income related to impaired financial instruments was EUR 8.4 million (2004: EUR 6.9 million).

Notes to the Consolidated Financial Statements continued

Analysis of Banking Credit Portfolio (excluding Allowance account) by expected time to maturity

			2005			2004
	Credit institutions	Loans	**Total**	Credit institutions	Loans	Total
On demand	210.9	206.5	**417.4**	26.2	289.3	315.5
Under 3 months	920.8	2,095.5	**3,016.3**	1,615.2	1,697.9	3,313.1
3-12 months		1,808.1	**1,808.1**	2.5	1,958.8	1,961.3
1-2 years		792.1	**792.1**		791.4	791.4
2-3 years		1,045.4	**1,045.4**		954.9	954.9
3-4 years	5.0	1,184.5	**1,189.5**		1,137.9	1,137.9
4-5 years		836.3	**836.3**	5.0	1,411.4	1,416.4
Over 5 years		7,456.6	**7,456.6**		7,153.9	7,153.9
	1,136.7	**15,425.0**	**16,561.7**	**1,648.9**	**15,395.5**	**17,044.4**

As at 31 December 2005, EUR 11,535.4 million (2004: EUR 11,403.0 million) of the total of government-guaranteed and/or mortgage backed loans was not freely disposable because of money market and capital market pledges. These pledges can be analysed as follows:

	2005	2004
Pledge by means of trust arrangements	**5,070.6**	5,694.0
Pledge by means of securitisation	**4,867.4**	4,111.4
Third-party pledge	**1,597.4**	1,597.6
	11,535.4	**11,403.0**

11 Deferred tax assets

The movements during the year can be specified as follows:

	Balance at 1 January 2005	Change in composition of the Group	Recognised in income	Recognised in equity	Other movements	**Balance at 31 December 2005**	Balance at 31 December 2004
Intangible assets	40.0				73.0	**113.0**	40.0
Investments	7.7		–0.2			**7.5**	7.7
Bank assets	2.8		2.4		–3.8	**1.4**	2.8
Deferred acquisition costs	1.5	48.6	–2.9			**47.2**	1.5
Other assets	104.8	61.4	14.4		–31.7	**148.9**	104.8
Insurance liabilities	393.4	–4.1	10.2		128.0	**527.5**	393.4
Employee benefits	100.8	92.4	–0.3	–5.7	–12.8	**174.4**	100.8
Other provisions	15.6	30.6	11.5		–7.3	**50.4**	15.6
Amortisation	1.4		0.4			**1.8**	1.4
Impairments	0.3		0.4			**0.7**	0.3
Other liabilities	3.9	16.3	7.1	–4.9	–2.3	**20.1**	3.9
Tax value of loss carry-forwards utilised	98.1		–6.1		–63.2	**28.8**	98.1
	770.3	**245.2**	**36.9**	**–10.6**	**79.9**	**1,121.7**	**770.3**

The tax rates used in calculating Eureko's deferred taxes are the applicable national rates, which in 2005 and 2004 ranged from 12.5% to 33.3%. Changes in tax rates already adopted as at 31 December 2005 are taken into account.

12 Deferred acquisition costs

	Insurance contracts	Investment contracts	Total 2005	Total 2004
Balance at 1 January	347.1	9.7	**356.8**	254.5
Acquisitions	130.0		**130.0**	102.2
Disposals				
Change in composition of the Group	**130.0**		**130.0**	**102.2**
Deferred acquisition costs	120.1	9.4	**129.5**	67.8
Amortisation	–67.7	–2.3	**–70.0**	–67.7
Foreign currency differences	0.1		**0.1**	
Other movements	–1.1		**–1.1**	
Balance at 31 December	**528.5**	**16.8**	**545.3**	**356.8**

13 Amounts ceded to re-insurers

The re-insurer's share in the insurance liabilities is as follows:

	2005	2004
Provision for life policy liabilities, non-participating benefits	**117.4**	61.6
Provision for life policy liabilities, participating benefits	**302.8**	186.7
Life insurance liabilities – Re-insurance	**420.2**	**248.3**
Unearned premiums	**15.7**	13.8
Outstanding claims	**253.9**	216.8
Incurred but not reported claims (IBNR)	**3.7**	4.3
Non-Life insurance liabilities – Re-insurance	**273.3**	**234.9**
Unearned premiums	**0.6**	0.7
Outstanding claims	**130.7**	32.4
Incurred but not reported claims (IBNR)	**9.9**	10.2
Health insurance liabilities – Re-insurance	**141.2**	**43.3**
Insurance liabilities – Re-insurance	**834.7**	**526.5**

This note has to be read in conjunction with Note 21 Insurance liabilities.

14 Receivables

	2005	2004
Receivables from direct insurance:		
– Policyholders	**886.8**	350.3
– Agents	**100.0**	91.5
– Other	**60.8**	16.2
	1,047.6	**458.0**
Receivables on re-insurance	**1.7**	
Investment receivables	**205.6**	47.3
Other receivables	**951.8**	596.8
	2,206.7	**1,102.1**

Notes to the Consolidated Financial Statements continued

Loans to executive and supervisory board members as at 31 December 2005 amounted to EUR 6.2 million (2004: EUR 6.2 million), at an average interest rate of 5.3% (2004: 5.4%). The re-payments during the year amounted to EUR 0.3 million (2004: EUR 1.3 million).

15 Other assets

	2005	2004
Equipment	133.9	97.2
Property for own use	579.5	393.9
Other prepayments and accrued income	124.9	128.3
Non-insurance assets acquired by exercising rights to recoveries	30.2	34.4
Other assets	110.5	81.8
	979.0	**735.6**

Equipment

	Software	Hardware	Office furniture	Other	Total 2005	Total 2004
Cost						
Balance at 1 January	50.8	136.1	86.4	101.6	**374.9**	401.7
Acquisitions	5.8	16.5	35.4	0.3	**58.0**	4.8
Disposals				–0.1	**–0.1**	–11.1
Change in composition of the Group	**5.8**	**16.5**	**35.4**	**0.2**	**57.9**	**–6.3**
Purchases and acquisitions	2.4	45.7	6.2	9.4	**63.7**	37.9
Sale and disposals	–8.7	–24.1	–9.9	–16.0	**–58.7**	–58.5
Foreign currency differences						0.1
Balance at 31 December	**50.3**	**174.2**	**118.1**	**95.2**	**437.8**	**374.9**
Amortisation and impairment losses						
Balance at 1 January	35.1	118.6	69.3	54.7	**277.7**	250.9
Acquisitions						0.1
Disposals				–0.1	**–0.1**	–7.2
Change in composition of the Group				**–0.1**	**–0.1**	**–7.1**
Sale and disposals	–7.7	–2.8	–9.1	–8.3	**–27.9**	–20.6
Impairment losses recognised in the income statement	1.0			0.4	**1.4**	
Amortisation	11.2	18.8	8.4	10.5	**48.9**	54.5
Foreign currency differences		0.1			**0.1**	
Other changes	–0.1	1.4	0.6	1.9	**3.8**	
Balance at 31 December	**39.5**	**136.1**	**69.2**	**59.1**	**303.9**	**277.7**
Carrying amount						
At 1 January	15.7	17.5	17.1	46.9	**97.2**	150.8
At 31 December	**10.8**	**38.1**	**48.9**	**36.1**	**133.9**	**97.2**

The impairment losses are mainly caused by a decrease of the value in use of computer software.

Property for own use

	In development	In use	Total 2005	Total 2004
Revalued amount				
Balance at 1 January	30.6	390.1	**420.7**	432.1
Acquisitions		199.4	**199.4**	24.8
Disposals				
Change in composition of the Group		**199.4**	**199.4**	**24.8**
Purchases and acquisitions	0.2	13.5	**13.7**	11.7
Sale and disposals		–18.1	**–18.1**	–39.4
Capitalised subsequent expenditures		5.7	**5.7**	
Revaluation recognised in equity		31.7	**31.7**	–3.0
Amortisation eliminated against the gross carrying amount due to revaluation		–23.9	**–23.9**	–4.1
Foreign currency differences		0.3	**0.3**	
Transfer to investment property	–7.3	–18.9	**–26.2**	–1.4
Other changes	0.8	–2.5	**–1.7**	
Balance at 31 December	**24.3**	**577.3**	**601.6**	**420.7**
Amortisation and impairment losses				
Balance at 1 January	1.4	25.4	**26.8**	14.3
Acquisitions				
Disposals		–1.1	**–1.1**	
Change in composition of the Group		–1.1	**–1.1**	
Sale and disposals		–0.7	**–0.7**	0.5
Impairment losses recognised in the income statement		14.7	**14.7**	0.5
Amortisation charge for the period		10.5	**10.5**	12.3
Amortisation eliminated against the gross carrying amount due to revaluation		–23.9	**–23.9**	–4.8
Transfer to investment property		0.6	**0.6**	4.0
Other changes		–4.8	**–4.8**	
Balance at 31 December	**1.4**	**20.7**	**22.1**	**26.8**
Carrying amount				
At 1 January	29.2	364.7	**393.9**	417.8
At 31 December	**22.9**	**556.6**	**579.5**	**393.9**

The impairment loss in 2005 is caused by a change in expected cash flows for some contracts, which led to a material lower revalued amount.

16 Cash and cash equivalents

	2005	2004
Cash	**21.1**	14.2
Call deposits	**221.5**	260.7
Short-term government paper		0.3
Bank balances	**634.7**	285.6
	877.3	**560.8**

Notes to the Consolidated Financial Statements continued

17 Shareholders' equity

The movements in Shareholders' equity are specified in the Consolidated Statement of Changes in Total equity.

In 2005, Eureko issued 106,129,722 shares (of which 29,598,985 formerly classified as treasury shares) to the Rabobank for a total consideration of EUR 3,344.1 million. The value of the issued shares is reduced with the related transaction costs. These amounted to EUR 0.4 million.

In 2005, the treasury shares which were held by Achmea Holding N.V. and Achmea Pensioen- & Levenverzekeringen N.V. were transferred to Eureko B.V. at the fair value at the moment of transfer (a total number of 12,957,320 shares). Those shares and part of the treasury shares held by Eureko B.V. were issued to the Rabobank in 2005 (a total number of 29,598,985 shares). As at 31 December 2005, the certificates of preference shares in Eureko B.V., which are held by Interpolis are classified as treasury shares (a number of 3,045,103 shares). In addition, a number of 2,762,763 shares are held by Eureko B.V. as at 31 December 2005.

Other changes, as included in the Consolidated Statement of Changes in Total equity, are mainly explained by the re-classification of the shares subject to re-purchase agreements. In 2004, Eureko classified shares that are subject to re-purchase agreements as a separate item in the face of the Balance Sheet. These shares were measured at fair value, which is calculated using the fair value of the shares based on market-based principles (in line with the re-purchase agreements). In 2005 Eureko has found a third-party to cover the re-purchase obligations. Early in 2005 the shares subject to re-purchase agreements were re-classified as part of Total equity (EUR 790.0 million).

For more details concerning the shares subject to re-purchase agreements reference is made to note 20.

Number of shares

	Number of ordinary shares	Nominal value ordinary shares (EUR million)	Number of preference shares	Nominal value preference shares (EUR million)	Number of M shares	Nominal value M shares (EUR million)	Number of A shares	Nominal value A shares (EUR million)
Authorised	739,999,999	740.0	60,000,000	60.0	10,000,000	10.0	1	
Issued	311,116,016	311.1	23,904,060	23.9	6,667,240	6.7	1	
Available for issuance	428,883,983	428.9	36,095,940	36.1	3,332,760	3.3		
Shares issued per 1 January 2004	234,585,279	234.6			6,667,240	6.7	1	
Shares issued in 2004			23,904,060	23.9				
Shares issued per 31 December 2004	234,585,279	234.6	23,904,060	23.9	6,667,240	6.7	1	
Shares issued in 2005	76,530,737	76.5						
Shares issued per 31 December 2005	**311,116,016**	**311.1**	**23,904,060**	**23.9**	**6,667,240**	**6.7**	**1**	

Eureko has issued one A share and 10,000,000 M shares. There are special rights entitled to the A share. The majority of the decisions of the General Meeting of Shareholders of Eureko can only be made after the approval of the holder of the A share. The M shares have been established to ensure that new shares can be issued to the holder of the M shares, without the other shareholders being able to exercise pre-emptive rights. The M shares do not entitle the holder thereof to special voting rights.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of Eureko B.V.

Eureko also issued 23,904,060 preference shares. The preference shares are entitled to dividends and have one vote per share in the shareholders' meeting. The dividends paid are 7.15% per year on the share capital and share premium paid for those shares, but payment is subject to the approval of the shareholders' meeting. The dividend on preference shares will become cumulative in the event no cash/stock dividends are paid. Terms on the percentage will be reviewed every ten years. The first review will be before 1 January 2014.

The preference shares have been issued to Eureko Tussenholding B.V. which exercises the voting rights attached to the preference shares. Eureko Tussenholding B.V. has issued certificates of the preference shares to the ultimate investors.

Legal reserves

Of Total equity contributed by subsidiaries at year-end 2005, an amount of EUR 535.6 million (2004: EUR 461.5 million) was subject to claims under provisions in the Articles of Association of a number of subsidiaries, stipulating that, in the event of liquidation, the equity of these companies must be used for the benefit of public health. As far as this amount is not included in the Revaluation reserve it has been included in the Legal reserve.

Furthermore, according to the legal requirements in The Netherlands, a legal reserve has been set up for the non-distributable profits in subsidiaries and associated companies.

18 Other equity instruments

On 24 June 2005, Eureko B.V. issued EUR 500.0 million of Perpetual Capital Securities with an initial coupon of 5.125%, payable annually in arrears until the first call date in June 2015. The issue was priced, based on a spread of 180 basis points over the ten year mid swap rate. If the issue is not called in 2015, the coupon will reset quarterly at an annual margin of 280 bps over the three-month Euribor. The issue will be used for Eureko's general corporate purposes. The terms are designed to allow the issue to become part of Eureko's regulatory capital under anticipated Dutch regulatory rules, with a 'Tier 1' equivalent treatment. Coupon payments are at the discretion of Eureko, subject to other limitations as described in the prospectus and will be charged to Retained earnings, part of Shareholders' equity.

The issue is accounted for net of transaction costs as Other equity instruments. The transactions costs amounted to EUR 3.7 million.

19 Minority interest

The minority interest in the Balance Sheet can be specified as follows:

	2005	2004
Union Postovacia A.S.	0.2	0.3
Life Science Partners I B.V.	0.9	4.5
Agritech 2007 B.V.		1.3
Real estate pools		42.0
Interamerican Hellenic Life Ins. Company S.A.		0.3
Interlife Insurance Company Ltd	0.9	0.5
Interamerican Romania Insurance Company S.A.	1.3	0.5
Keuringscentrum Sociale Dienst B.V.	–0.3	
	3.0	**49.4**

Notes to the Consolidated Financial Statements continued

20 Shares subject to re-purchase agreement

Prior to 2005 Eureko granted several minority shareholders the right to sell their shares back to Eureko in exchange for a listed subordinated loan (thirty-year or perpetual), for cash or another financial instrument. These rights of minority shareholders are referred to as shares subject to re-purchase agreement. Under the Eureko accounting principles in place until 2004 these shareholdings were classified as part of Shareholders' equity. However under the IFRS accounting principles as adopted by Eureko with retroactive effect as from 1 January 2004, these shareholdings had to be re-classified to financial liabilities as under the conditions present at that time Eureko had no unconditional right to avoid delivering cash or another financial instrument.

The total value of the shares subject to the above mentioned re-purchase agreements as per 31 December 2004 amounted to EUR 790.0 million and has been recognised as per that date as part of the financial liabilities. The value has been calculated using the fair value of the shares involved based on market principles in line with the re-purchase agreements. For further details on the type and value of the shares subject to re-purchase agreement as per 31 December 2004, reference is made to Note 31. The value of the shares subject to re-purchase agreement can be specified as follows:

	2005	2004
Option type 1		432.0
Option type 2		182.0
Option type 3		176.0
		790.0

Early 2005, Eureko re-structured these capital commitments resulting in the assignment of Eureko's obligation to purchase its own shares to an unrelated third-party. Pursuant to the agreements, the third-party will purchase the shares (or depositary receipts issued for those shares) upon exercise of an option when none of the current shareholders wants to purchase the shares.

As a result of the re-structuring of these shares subject to re-purchase agreement, exercise of the re-purchase agreement will no longer bring Eureko in a position where it can be obliged to purchase the shares involved. Therefore the shares subject to re-purchase agreements have been re-classified as per the beginning of 2005 from the financial liabilities to shareholders' equity. For further details reference is made to note 17 Shareholders' equity.

21 Insurance liabilities

This note must be read in conjunction with Note 13 (Amounts ceded to re-insurers). In the movement table and the Balance Sheet the gross presentation is represented.

	2005	2004
Life insurance:		
Provision for life policy liabilities	25,009.4	15,490.4
Less: Deferred interest surplus rebates	336.2	177.2
Net provision for life policy liabilities	**24,673.2**	**15,313.2**
Profit sharing, bonuses and rebates	1,673.7	1,113.2
Total Life insurance	**26,346.9**	**16,426.4**
Non-Life insurance:		
Unearned premiums	933.0	461.9
Outstanding claims	2,531.5	1,715.7
Incurred but not reported claims (IBNR)	269.6	179.8
Total Non-Life insurance	**3,734.1**	**2,357.4**
Health insurance		
Unearned premiums	132.1	21.5
Provision for premium deficiency and unexpired risks (incl. ageing provision)	279.3	159.8
Outstanding claims	2,143.5	1,194.8
Less: Deferred interest surplus rebates		5.0
Incurred but not reported claims (IBNR)	532.2	474.2
Total Health insurance	**3,087.1**	**1,845.3**
Total Insurance liabilities	**33,168.1**	**20,629.1**

These provisions are essentially of a long-term nature, with the exception of the provision for unearned premiums. The actuarial interest rate range in Eureko was between 3% and 4%.

Notes to the Consolidated Financial Statements continued

Movement table for Provision for life policy liabilities

	2005		2004	
	Gross	Re-insurance	Gross	Re-insurance
Non-participating benefits				
Balance at 1 January	2,544.6	61.6	2,374.2	42.2
Acquisition	5,871.7		18.5	–0.6
Disposals				
Change in composition of Group	5,871.7		**18.5**	**–0.6**
Benefits paid	–361.5	–10.9	–211.7	–9.2
Net premiums received	459.3	37.9	348.8	29.0
Technical result	–41.7	25.0	–41.5	2.0
Fair value changes attributable to policyholders	6.7		6.5	
Additions/disposals due to acquired/sold portfolios			–20.9	
Foreign currency differences	4.8		–0.1	
Unwinding of discount	114.7	0.1	60.7	
Effect of changes in other assumptions	19.5	–0.2	9.7	–1.8
Changes due to re-classification	–4.5	3.9	0.4	
Balance at 31 December	8,613.6	117.4	**2,544.6**	**61.6**
Participating benefits				
Balance at 1 January	12,945.8	186.7	11,930.0	29.9
Acquisition	3,023.5	26.8	679.1	0.8
Disposals				
Change in composition of Group	3,023.5	26.8	**679.1**	**0.8**
Benefits paid	–1,178.5	–47.6	–1,229.3	–15.2
Net premiums received	1,095.4	145.5	980.8	167.7
Technical result	–183.2	–8.2	–154.6	2.7
Fair value changes attributable to policyholders	217.3		208.8	
Foreign currency differences	3.6		–1.4	
Unwinding of discount	443.1	0.6	486.9	0.9
Effect of change in benchmark rate				–0.1
Effect of changes in other assumptions	97.0		68.6	
Changes due to re-classification	–68.2	–1.0	–23.1	
Balance at 31 December	16,395.8	302.8	**12,945.8**	**186.7**
Life policy liabilities	25,009.4	420.2	**15,490.4**	**248.3**

The effect of changes in other assumptions relate to adjustments in assumptions regarding to mortality longevity risk and other guarantees to policyholders.

Deferred interest surplus rebates

	Life	Health	Total 2005	Total 2004
Balance at 1 January	177.2	5.0	**182.2**	200.8
Acquisitions	206.6		**206.6**	14.0
Disposals				
Change in composition of Group	**206.6**		**206.6**	**14.0**
Rebates granted	2.5	0.6	**3.1**	22.7
Amortisation	–50.4	–5.6	**–56.0**	–55.3
Other movements	0.3		**0.3**	
Balance at 31 December	**336.2**		**336.2**	**182.2**

Profit sharing, bonuses and rebates

	Total 2005	Total 2004
Balance at 1 January	**1,113.2**	569.2
Acquisitions	**125.7**	34.9
Disposals	**–3.3**	
Change in composition of Group	**122.4**	**34.9**
Net additions during the period	**438.1**	509.1
Balance at 31 December	**1,673.7**	**1,113.2**

Movement table provision for unearned premiums Non-Life

	2005		2004	
	Gross	Re-insurance	Gross	Re-insurance
Balance at 1 January	**461.9**	**13.8**	440.0	13.5
Acquisitions	**492.6**	**4.2**	17.7	1.1
Disposals				
Change in composition of Group	**492.6**	**4.2**	**17.7**	**1.1**
Added during the year	**1,698.6**	**124.1**	1,477.4	110.0
Released to the Income Statement	**–1,722.4**	**–126.5**	–1,471.9	–110.2
Additions/disposals due to acquired/sold portfolios	**1.7**		–1.2	–0.4
Foreign currency differences	**0.6**	**0.1**	–0.1	–0.2
Balance at 31 December	**933.0**	**15.7**	**461.9**	**13.8**

Notes to the Consolidated Financial Statements continued

Movement table for outstanding claims Non-Life

	2005		2004	
	Gross	Re-insurance	Gross	Re-insurance
Balance at 1 January	1,715.7	216.8	1,617.9	249.3
Acquisition	767.6	38.9	34.7	3.1
Disposals				
Change in composition of Group	**767.6**	**38.9**	**34.7**	**3.1**
Current period claims reported	1,133.6	55.7	842.4	17.8
Previous periods claims reported/released	–130.9	–20.3	134.6	–1.0
Plus claims reported	**1,002.7**	**35.4**	**977.0**	**16.8**
Current period claims paid	607.2	9.7	536.7	2.9
Previous period claims paid	369.7	24.3	357.8	32.9
Less claims paid	**976.9**	**34.0**	**894.5**	**35.8**
Additions/disposals due to acquired/sold portfolios	2.4	–3.2	–19.4	–16.6
Effect of changes in assumptions	20.0			
Balance at 31 December	**2,531.5**	**253.9**	**1,715.7**	**216.8**

The effect of changes in assumptions in 2005 of EUR 20.0 million mainly relates to a change in the applied prudency levels and a decrease in the actuarial interest rates for parts of the portfolio.

Movement table for Incurred But Not Reported claims Non-Life

	2005		2004	
	Gross	Re-insurance	Gross	Re-insurance
Balance at 1 January	179.8	4.3	197.5	4.7
Acquisition	43.5		1.8	
Disposals			–0.8	
Change in composition of Group	**43.5**		**1.0**	
Additions/disposals due to acquired/sold portfolios			–2.1	
Changes during the year	46.3	–0.6	–16.6	–0.4
Balance at 31 December	**269.6**	**3.7**	**179.8**	**4.3**

Claims development table for Non-Life insurance

	2005	2004	2003	2002	2001	Total
Estimate of cumulative claims:						
– At end of underwriting year	1,981.7	956.6	864.1	775.0	700.6	
– One year later	••	999.1	909.8	819.4	706.1	
– Two years later	••	••	921.6	810.3	707.6	
– Three years later	••	••	••	848.2	765.4	
– Four years later	••	••	••	••	729.9	
Estimate of cumulative claims	**1,981.7**	**999.1**	**921.6**	**848.2**	**729.9**	**5,480.5**
Cumulative payments	–614.4	–701.0	–712.3	–648.3	–598.1	–3,274.1
	1,367.3	**298.1**	**209.3**	**199.9**	**131.8**	**2,206.4**
Insurance liabilities claims prior years (< 2001)						594.7
Value recognised in the Balance Sheet						**2,801.1**

Movement table provision for unearned premiums Health

	2005		2004	
	Gross	Re-insurance	Gross	Re-insurance
Balance at 1 January	21.5	0.7	9.9	0.5
Acquisitions	142.5	–1.4	14.3	
Disposals				
Change in composition of Group	**142.5**	**–1.4**	**14.3**	
Added during the year	2,071.6	13.8	1,735.2	11.2
Released to the Income Statement	–2,103.5	–12.5	–1,737.9	–11.0
Balance at 31 December	**132.1**	**0.6**	**21.5**	**0.7**

Provision for premium deficiency and unexpired risks Health

	Total 2005	Total 2004
Balance at 1 January	159.8	144.3
Acquisition	31.4	3.5
Disposals		
Change in composition of Group	**31.4**	**3.5**
Increase charged to the Income Statement	199.8	–2.9
Released to the Income Statement	–115.1	–2.4
Change in assumptions	3.4	
Additions/disposals due to acquired/sold portfolios		17.3
Balance at 31 December	**279.3**	**159.8**

As a result of the introduction of the basic health insurance system, Eureko has released the ageing reserves and specific parts of the technical provisions (IBNR) related to the former private health insurance system at the end of 2005. At the same time, Eureko has set up new provisions for the regulatory required prudency – and claim handling reserves for the new basic health insurance plus a provision for the initial losses on these activities. The net impact of the change is limited.

Notes to the Consolidated Financial Statements continued

Movement table of outstanding claims for Health

	2005		2004	
	Gross	Re-insurance	Gross	Re-insurance
Balance at 1 January	1,194.8	32.4	972.3	16.5
Acquisition	899.6	105.1	48.5	19.1
Disposals				–0.2
Change in composition of Group	**899.6**	**105.1**	**48.5**	**18.9**
Current period claims reported	1,935.5	15.5	1,646.8	2.7
Previous periods claims reported/released	–60.1	–2.0	6.3	–0.2
Plus claims reported	**1,875.4**	**13.5**	**1,653.1**	**2.5**
Current period claims paid	1,152.5		815.6	
Previous period claims paid	672.3	20.9	710.2	5.6
Less claims paid	**1,824.8**	**20.9**	**1,525.8**	**5.6**
Additions/disposals due to acquired/sold portfolios	–23.2	0.6	19.5	0.1
Effect of changes in assumptions			24.0	
Reclassification	21.7		3.2	
Balance at 31 December	**2,143.5**	**130.7**	**1,194.8**	**32.4**

The effect of changes in assumptions in 2004 of EUR 24.0 million mainly relates to a decrease in the actuarial interest rate applied for disability insurance policies.

As from 1 January 2005, settlement of medical care costs between health insurers and Dutch hospitals is based on the so-called 'Diagnose Behandel Combinaties' (DBCs). This settlement method covers a whole medical treatment period in which the claim compensation for separate treatments is specified. The final settlement with the health insurer is at the end of the treatment period. The implementation of this DBC-method had far-reaching consequences for the internal organisation of Dutch hospitals. As a consequence, many hospitals were not able to supply a timely and clear insight in the amounts to be settled at year-end 2005. Health insurers are therefore faced with uncertainty about the amounts to be recognised as insurance liability at year-end. In order to solve this issue for financial reporting purposes, the sector organisation Zorgverzekeraars Nederland supplied estimation variables based on the development of health care cost in The Netherlands as from 2004. Health insurers use these estimation variables for assessment of the liability for health care claims to be paid. Eureko applied these guidelines as far as possible.

At 31 December 2005, Eureko estimates the amount to be due with respect to DBCs at EUR 300 million. This amount is recognised in Insurance liabilities Health. The impact on the Income Statement amounts to EUR 300 million and is recognised in Net claims and movements in insurance liabilities.

Movement table for Incurred But Not Reported claims Health

	2005		2004	
	Gross	Re-insurance	Gross	Re-insurance
Balance at 1 January	474.4	10.2	382.9	0.2
Acquisition	36.5		23.1	9.1
Disposals				
Change in composition of Group	**36.5**		**23.1**	**9.1**
Changes during the year	48.1		37.6	0.9
Additions/disposals due to acquired/sold portfolios			37.7	
Effect of changes in assumptions	–29.6	–0.3	–4.0	
Re-classification	2.8		–3.1	
Balance at 31 December	**532.2**	**9.9**	**474.2**	**10.2**

The effect of changes in assumptions relates to adjustments as a consequence of changes in the product portfolio and changes in the discount rate.

Claims development table for Health insurance

	2005	2004	2003	2002	2001	Total
Estimate of cumulative claims:						
– At end of underwriting year	3,363.7	1,805.9	1,392.3	1,205.7	1,043.2	
– One year later	••	1,668.9	1,349.7	1,237.8	1,028.1	
– Two years later	••	••	1,329.6	1,214.4	1,019.4	
– Three years later	••	••	••	1,207.0	1,017.3	
– Four years later	••	••	••	••	1,050.9	
Estimate of cumulative claims	**3,363.7**	**1,668.9**	**1,329.6**	**1,207.0**	**1,050.9**	**8,620.1**
Cumulative payments	–1,300.1	–1,559.2	–1,231.8	–1,134.2	–926.8	–6,152.1
	2,063.6	**109.7**	**97.8**	**72.8**	**124.1**	**2,468.0**
Insurance liabilities claims prior years (< 2001)						437.3
Effect of discounting						–229.6
Value recognised in the Balance Sheet						**2,675.7**

22 Insurance liabilities for policyholders

The Insurance liabilities for policyholders are linked to the Investments backing linked liabilities.

	2005	2004
Balance at 1 January	6,216.0	5,532.3
Acquisition	7,820.0	654.7
Disposals		
Change in composition of Group	**7,820.0**	**654.7**
Benefits paid	–456.6	–705.0
Net premiums received	1,042.7	591.1
Technical result	–34.9	–22.6
Additions/disposals due to acquired/sold portfolios	–34.2	49.9
Foreign currency differences	0.1	0.8
Unwinding of discount	17.4	30.9
Effect of change in benchmark rate	3.5	–6.9
Effect of changes in assumptions	–5.4	
Effect of fair value changes related to financial assets	1,077.9	67.2
Changes due to re-classification	40.2	23.6
Balance at 31 December	**15,686.7**	**6,216.0**

Notes to the Consolidated Financial Statements continued

23 Investment contracts

Financial contracts which do not meet the definition of an insurance contract are presented separately as Investment contracts. The linked investments are presented as part of Investments backing linked liabilities.

Classified by nature

All investment contracts are classified At fair value through Income Statement.

Movements regarding fair value measurements of Investment contracts

	2005	2004
Balance at 1 January	1,840.8	1,527.2
Acquisition	666.0	
Disposals		
Change in composition of Group	666.0	
Consideration received	447.7	382.5
Consideration paid	–264.7	–204.6
Effect of fair value changes related to financial assets	370.4	135.7
Balance at 31 December	3,060.2	1,840.8

The investment contracts surrender value, to be paid to customers on demand, does not deviate significantly from the recognised fair value amounts.

24 Employee benefits

The pension liability for the Group companies as at 31 December, based on an actuarial valuation of the projected benefits, is as follows:

	Achmea	Interpolis	Friends First	Interamerican	Other	Total 2005	Total 2004
Defined benefit obligation	2,112.1	1,086.6	46.8	31.4	–0.1	3,276.8	1,977.4
Total fair value of plan assets	–1,636.4	–839.7	–44.0	–10.2		–2,530.3	–1,366.5
Fair value of non-qualifying plan assets	1,393.7					1,393.7	1,212.4
Unfunded status	1,869.4	246.9	2.8	21.2	–0.1	2,140.2	1,823.3
Unrecognised actuarial gains and losses	–145.6	73.4		–4.6	–0.1	–76.9	–212.1
Recognition of other amounts					0.8	0.8	1.2
Recognised liability for defined benefit obligations	1,723.8	320.3	2.8	16.6	0.6	2,064.1	1,612.4

The non-qualifying plan assets consist of insurance policies issued by Eureko. Under IFRS only insurance policies issued by an insurer that is not a related party can be considered as funding for a defined benefit obligation.

Liability for defined benefit obligations

The Group makes contributions to six defined benefit plans that provide pension benefits for employees upon retirement. Two of the plans are based upon final salary and four of the plans are based upon average salary.

Movements in the net liability recognised in the Balance Sheet

	Achmea	Interpolis	Friends First	Interamerican	Other	**Total 2005**	Total 2004
Net liability at 1 January	1,591.6		2.4	17.6	0.8	**1,612.4**	1,440.5
Acquisition		292.0				**292.0**	32.3
Disposals	–2.5			–0.1		**–2.6**	–0.5
Change in composition of Group	**–2.5**	**292.0**		**–0.1**		**289.4**	**31.8**
Contributions made	–100.1	22.5	–1.8	–4.6		**–84.0**	–186.4
Net expense recognised in the Income Statement	44.5	5.8	2.2	3.7	–0.2	**56.0**	121.4
Other changes	9.0					**9.0**	
Intergroup adjustments	181.3					**181.3**	205.1
Net liability at 31 December	**1,723.8**	**320.3**	**2.8**	**16.6**	**0.6**	**2,064.1**	**1,612.4**

Expenses recognised in the Income Statement

	Achmea	Interpolis	Friends First	Interamerican	Other	**Total 2005**	Total 2004
Current service costs	96.3	7.4	2.3	3.0		**109.0**	80.9
Interest on obligation	89.5	6.5	2.0	1.4		**99.4**	79.6
Expected rates of return on plan assets	–64.8	–8.1	–2.1	–0.6	–0.1	**–75.7**	–49.1
Amortisation of actuarial losses/(gains)	3.3			–0.1		**3.2**	0.6
Past service cost					–0.1	**–0.1**	9.4
Result on curtailments and settlements	–79.8					**–79.8**	
Total, included in Operating expenses	**44.5**	**5.8**	**2.2**	**3.7**	**–0.2**	**56.0**	**121.4**

The Interpolis expenses concern the period as of 1 November 2005 until 31 December 2005.

The curtailment of EUR 79.8 million mainly concerns the discontinuation of the early retirement schemes due to changes in legislations that no longer allow such schemes. The result of this curtailment is included in pension costs, part of Operating expenses (note 46). Due to the discontinuation of the early retirement schemes, current service costs will decrease by EUR 6.5 million as of 2006.

As a compensation for the discontinuation of the early retirement schemes, the Company paid defined contribution premiums up to an amount of EUR 74.4 million that allow for a higher advancement percentage over past service years. These defined contribution premiums have been recognised as part of pension costs (note 46).

2005

%	Achmea	Interpolis	Friends First	Interamerican
Actual return on plan assets	4.14	3.60	4.70	5.00

2004

%	Achmea	Interpolis	Friends First	Interamerican
Actual return on plan assets	4.50	n.a.	5.60	5.00

The Interpolis actual return on plan assets mentioned concerns the actual return percentage on a two month basis.

Notes to the Consolidated Financial Statements continued

Liability for defined benefit obligations

Principal actuarial assumptions at the balance sheet date (expressed as weighted average assumptions)

2005

%	Achmea	Interpolis	Friends First	Interamerican
Discount rate at 31 December	4.25	4.25	4.50	4.45
Expected return on plan assets	4.50	5.50	4.70	5.00
Future salary increases	2.50	2.00	2.50	3.00
Future pension increases	2.00	2.00	1.50	

2004

%	Achmea	Interpolis	Friends First	Interamerican
Discount rate at 31 December	4.50	n.a	5.00	4.45
Expected return on plan assets	4.50	n.a	5.60	5.00
Future salary increases	2.50	n.a	3.00	3.00
Future pension increases	2.00	n.a	1.50	

25 Other provisions

	Re-structuring	Other	**Total 2005**	Total 2004
Balance at 1 January	61.2	106.4	**167.6**	93.5
Acquisitions	22.8	36.2	**59.0**	1.4
Disposals				–16.9
Change in composition of Group	**22.8**	**36.2**	**59.0**	**–15.5**
Provisions made during the period	29.7	50.4	**80.1**	147.5
Provisions used during the period	–44.9	–25.2	**–70.1**	–54.0
Provisions reversed during the period	–2.7	–5.4	**–8.1**	–3.9
Balance at 31 December	**66.1**	**162.4**	**228.5**	**167.6**
Non-current		14.2	**14.2**	6.4
Current	66.1	148.2	**214.3**	161.2
Balance at 31 December	**66.1**	**162.4**	**228.5**	**167.6**

Re-structuring

The re-structuring provisions mainly include personnel and housing costs. The provisions are mainly for re-structuring the Dutch activities. The cash flows are expected during the year 2006.

Other

Other provisions primarily include provisions for employee benefits and indemnities. Provisions related to employee benefits mainly comprise bonuses, vacation pay, leave provisions and share-based payments. The cash flows are expected during the year 2006.

Equity participations plan

The other provisions include a liability for equity compensation benefits of EUR 9.2 million as at 31 December 2005 (31 December 2004: EUR 4.7 million).

Employees (including directors) of Achmea Holding N.V. can be accorded the right to acquire depository receipts for shares. The right to acquire depository receipts for shares can be exercised for the first time after three years, but within no more than 10 years of the date on which the right is granted to the employee. The rules specify a small number of exceptions to this. If an option right is exercised, Association Achmea will deliver depository receipts for shares to Eureko B.V. and Eureko B.V. will simultaneously pay the selling price to Association Achmea. Eureko B.V. will deliver the depository receipts to the employee in return for payment of the exercise price by the employee to Eureko B.V. The employee must, within one year, sell the depository receipts acquired to Association Achmea. The price of the depository receipts associated with the option rights is equal to the value in accordance with the valuation arrived at by the independent expert on the basis of the valuation rules agreed for Eureko, which corresponds to an approximate market value.

The options are granted in April of the corresponding years. The option scheme is considered to be a cash settled share based payment and therefore Eureko assumes a corresponding liability.

The summaries below show the changes in 2005 and 2004 and the details of the options outstanding at the end of 2005.

Movements in options granted under the equity participation plan mentioned above are as follows:

	Number of options 2005	Weighted average exercise price (in EUR) 2005	Number of options 2004	Weighted average exercise price (in EUR) 2004
Outstanding, at the beginning of the year	2,350,333	29.89	2,175,932	33.71
Granted during the year	680,745	30.90	716,770	23.87
Exercised during the year	–162,017	26.01	–68,517	17.54
Expired during the year	–360,967	44.52	–473,852	40.13
Outstanding, at the end of the year	**2,508,094**	**28.31**	**2,350,333**	**29.89**
Exercisable, at the end of the year	**650,439**	**38.81**	**644,864**	**47.06**

Options granted and the number of options outstanding are as follows:

	Options granted		Number of options
	2005	2004	as at 31 December 2005
Board	309,414	356,842	991,376
Employees	371,331	359,928	1,516,718
	680,745	**716,770**	**2,508,094**

Year	Original number of options granted	Options outstanding as at 1 January 2005	Options outstanding as at 31 December 2005	Exercise price in EUR	Weighted average remaining contractual life	Exercise period
2000	498,080	292,139		44.22	n.a.	Up to and including April 2005
2001	594,471	352,725	297,320	49.41	0.25	April 2005–April 2006
2002	696,731	447,449	353,119	29.89	1.25	April 2005–April 2007
2003	637,090	552,990	518,157	17.54	5.04	April 2008–April 2013
2004	716,770	705,030	672,176	23.87	5.95	April 2009–April 2014
2005	680,745		667,322	30.90	7.28	April 2010–April 2015
	3,823,887	**2,350,333**	**2,508,094**		**4.78**	

Notes to the Consolidated Financial Statements continued

Options outstanding and the movements during the financial year of options granted to current and former members of the Executive Board.

	Outstanding as at 31 December 2004	Number of options Granted in 2005	Exercised in 2005	Expired in 2005	**Outstanding as at 31 December 2005**	Amounts in EUR Exercise price	Share price at exercise date	Expiry date
G.H.J. van Arkel								
2000	20,729			20,729		44.22		23/05/2005
2001	23,564				**23,564**	49.41		25/05/2006
2002	23,564				**23,564**	29.89		24/05/2007
2003	23,564				**23,564**	17.54		14/05/2013
2004	23,564				**23,564**	23.87		23/04/2014
2005		23,564			**23,564**	30.90		29/04/2015
	114,985	**23,564**		**20,729**	**117,820**			
A. C. Henriques								
2002	2,218				**2,218**	29.89		28/05/2007
	2,218				**2,218**			
C. de Beck								
2002	2,218				**2,218**	29.89		28/05/2007
	2,218				**2,218**			
W.A.J. van Duin								
2000	1,584			1,584		44.22		23/05/2005
2001	1,815				**1,815**	49.41		25/05/2006
2002	1,797				**1,797**	29.89		24/05/2007
2003	2,022				**2,022**	17.54		14/05/2013
2004	23,564				**23,564**	23.87		23/04/2014
2005		23,564			**23,564**	30.90		29/04/2015
	30,782	**23,564**		**1,584**	**52,762**			
M.W. Dijkshoorn								
2003	23,564				**23,564**	17.54		14/05/2013
2004	23,564				**23,564**	23.87		23/04/2014
2005		32,579			**32,579**	30.90		29/04/2015
	47,128	**32,579**			**79,707**			
A. Hoevenaars								
2000	29,519			29,519		44.22		23/05/2005
2001	32,579				**32,579**	49.41		25/05/2006
2002	32,579				**32,579**	29.89		28/05/2007
	94,677			**29,519**	**65,158**			
E. Jansen								
2002	23,564				**23,564**	29.89		28/05/2007
2003	32,579				**32,579**	17.54		14/05/2008
2004	32,579				**32,579**	23.87		23/04/2014
2005		32,579			**32,579**	30.90		29/04/2015
	88,722	**32,579**			**121,301**			
J. Medlock								
2002	23,564			23,564		29.89		23/05/2005
2003	23,564				**23,564**	17.54		14/05/2008
2004	23,564				**23,564**	23.87		23/04/2009
	70,692			**23,564**	**47,128**			

Options outstanding and the movements during the financial year of options granted to current and former members of the Executive Board.

	Outstanding as at 31 December 2004	Number of options Granted in 2005	Exercised in 2005	Expired in 2005	**Outstanding as at 31 December 2005**	Amounts in EUR Exercise price	Share price at exercise date	Expiry date
G. van Olphen								
2003	23,564				**23,564**	17.54		14/05/2013
2004	23,564				**23,564**	23.87		23/04/2014
2005		23,564			**23,564**	30.90		29/04/2015
	47,128	**23,564**			**70,692**			
P. Overmars								
2000	24,858			24,858		44.22		23/05/2005
2001	27,434			27,434		49.41		23/05/2005
2002	32,579		32,579			29.89	30.90	23/05/2005
2003	32,579				**32,579**	17.54		14/05/2010
2004	60,000				**60,000**	23.87		23/04/2010
2005		50,000			**50,000**	30.90		29/04/2010
	177,450	**50,000**	**32,579**	**52,292**	**142,579**			
G.J. Swalef								
2003	32,579				**32,579**	17.54		14/05/2008
2004	100,000				**100,000**	23.87		23/04/2010
2005		100,000			**100,000**	30.90		29/04/2010
	132,579	**100,000**			**232,579**			
M. Tiemstra								
2000	2,968			2,968		44.22		23/05/2005
2001	3,388				**3,388**	49.41		25/05/2006
2002	3,337				**3,337**	29.89		24/05/2007
2003	3,361				**3,361**	17.54		14/05/2013
2004	23,564				**23,564**	23.87		23/04/2014
2005		23,564			**23,564**	30.90		29/04/2015
	36,618	**23,564**		**2,968**	**57,214**			

Notes to the Consolidated Financial Statements continued

The fair value of options granted was determined using the option pricing model, substantially similar to the Black-Scholes model, with the following assumptions:

	2005	2004
Expected volatility (in %)	**19.00**	29.20
Option life (contractual in years)	**4.78**	4.41
Option life (expected in years)	**2.67**	2.48
Average risk free interest rate	**3.27**	2.78
Underlying price	**31.51**	23.87

To value the outstanding options Eureko uses a binominal model. This model includes the human behaviour factors through an adjustment to the expected average life of the options.

The basic factors affecting the valuation of share-based payments are:
- Underlying number of options on Eureko shares granted;
- Underlying price which is determined by the annually Eureko valuation proces as Eureko is not a listed company;
- Exercise price;
- Maturity of the options;
- Expected volatility;
- Risk-free interest rate derived from zero-coupon Dutch government issues.

Expected volatility is a measure of the amount by which the share price is expected to fluctuate during a period. As there is no trade market for Eureko shares, Eureko uses an implied volatility of similar entities.

Share-based payment expense

The total expense recognised for the year arising from share-based payment transactions and recorded in the Income Statement amounts to:

	2005	2004
Cash settled share based expense	**9.1**	4.7

26 Banking customer accounts

Classified by nature

	Deposits	Other funds entrusted	Total 2005	Total 2004
Balance at 1 January	1,130.3	4,620.0	**5,750.3**	6,505.9
Acquisition				430.8
Disposals				–18.2
Change in composition of Group				**412.6**
Money deposited	1,321.2	3,287.2	**4,608.4**	3,905.6
Money withdrawn	–1,438.4	–3,580.3	**–5,018.7**	–5,073.8
Additions/disposals due to acquired/sold portfolios	–1.0		**–1.0**	
Re-classification		–3.5	**–3.5**	
Balance at 31 December	**1,012.1**	**4,323.4**	**5,335.5**	**5,750.3**

Deposits

	2005	2004
Deposits from other banks	**22.1**	98.0
Other money market deposits	**990.0**	1,032.3
	1,012.1	**1,130.3**

Analysis by time to maturity

	Deposits	Other funds entrusted	Total 2005	Deposit	Other funds entrusted	Total 2004
On demand	0.6	2,175.4	**2,176.0**	9.5	2,435.3	2,444.8
Less than 3 months	195.9	923.6	**1,119.5**	175.6	581.6	757.2
3-12 months	365.9	376.5	**742.4**	272.6	325.1	597.7
1-2 years	158.6	109.5	**268.1**	236.0	266.9	502.9
2-3 years	242.8	114.8	**357.6**	159.7	343.3	503.0
3-4 years	26.2	162.2	**188.4**	245.2	195.8	441.0
4-5 years	0.2	223.9	**224.1**	27.1	370.6	397.7
Over 5 years	21.9	237.5	**259.4**	4.6	101.4	106.0
	1,012.1	**4,323.4**	**5,335.5**	**1,130.3**	**4,620.0**	**5,750.3**

27 Loans and borrowings

Classified by nature

	At fair value through profit and loss	Loans and receivables	Total 2005	Total 2004
Secured bank loans		8,185.9	**8,185.9**	7,923.6
Unsecured loans		1,251.4	**1,251.4**	1,155.8
Financial re-insurance liabilities		137.1	**137.1**	
Subordinated loans		130.2	**130.2**	132.4
Other	12.4	148.5	**160.9**	118.4
	12.4	**9,853.1**	**9,865.5**	**9,330.2**

	Secured bank loans	Unsecured loans	Financial re-insurance liabilities	Sub–ordinated loans	Other	Total 2005	Total 2004
Balance at 1 January	7,923.6	1,155.8		132.4	118.4	**9,330.2**	9,369.8
Acquisitions		303.5	147.1	0.5	43.9	**495.0**	45.9
Disposals							
Change in composition of Group		**303.5**	**147.1**	**0.5**	**43.9**	**495.0**	**45.9**
Money deposited	2,225.3	660.8	92.0		124.2	**3,102.3**	2,522.5
Money withdrawn	–1,964.5	–851.2	–102.0	–0.3	–128.9	**–3,046.9**	–2,625.1
Amortisation		–30.0				**–30.0**	
Effect of change in the benchmark rate				–1.3	–2.4	**–3.7**	0.6
Change in assumptions	1.2			–1.1	5.7	**5.8**	0.2
Foreign currency differences		0.4				**0.4**	0.2
Accrued interest (for financial instrument measured at fair value)	0.3	12.1				**12.4**	16.1
Balance at 31 December	**8,185.9**	**1,251.4**	**137.1**	**130.2**	**160.9**	**9,865.5**	**9,330.2**

Notes to the Consolidated Financial Statements continued

Reconciliation nominal amounts and carrying amounts 'At fair value classification'

	2005	2004
Carrying amount	12.4	32.9
Nominal amount	13.9	33.5
Difference	**–1.5**	**–0.6**

Analysis of Loans and borrowings by expected time to maturity

	2005	2004
On demand	49.4	56.7
Less than 3 months	431.5	456.5
3-12 months	1,404.2	1,376.9
1-2 years	543.9	1,223.1
2-3 years	1,707.0	564.2
3-4 years	162.5	1,528.5
4-5 years	1,208.3	159.7
Over 5 years	4,358.7	3,964.6
	9,865.5	**9,330.2**

As at 31 December 2005, the total loans outstanding to finance the banking activity were EUR 8,823.5 million (2004: EUR 8,737.7 million).

The consolidated non-bank external debt is EUR 1,042.0 million (2004: EUR 592.5 million) including EUR 135.0 million for re-insurance contracts, classified as debts. This leads to a debt leverage of 9.6% (2004: 12.8%). For this calculation the total debt of EUR 9,853.1 million (2004: EUR 9,330.2 million) is diminished by Banking debt of EUR 8,823.5 million (2004: EUR 8,737.7 million). The used formula is 'non-bank external debt/(non-bank external debt + Shareholders' equity), where Shareholders' equity is EUR 8,525.1 million (2004: EUR 4,040.5 million which includes the amount for shares subject to re-purchase agreements of EUR 790.0 million). For 2005 calculation, re-insurance contracts are excluded.

Secured bank loans

Secured bank loans include debenture loans issued by Achmea Hypotheekbank N.V. These loans are in various base currencies. Collateral has been provided in respect of a significant portion of the loans issued by Achmea Hypotheekbank N.V. by means of a trust letter.

Unsecured loans

	2005	2004
Debenture loans issued by Achmea Holding N.V	499.6	537.7
Commercial paper issued by Achmea Hypotheekbank N.V.	224.4	183.0
Revolving credit facility issued by Friends First Finance Ltd.		51.0
Syndicated Term Loan issued by Friends First Finance Ltd.	189.5	189.7
Floating rate notes issued by Eureko B.V.	190.9	190.9
Loans issued by Interpolis N.V.	147.0	
Other		3.5
	1,251.4	**1,155.8**

The debenture loans and the commercial paper included in Unsecured loans form part of debt-issuance programmes, under which loans can be provided up to an agreed amount at pre-determined terms. The maximum size of the debt-issuance programme of Achmea Hypotheekbank N.V. amounts to EUR 10 billion. The maximum set for the commercial paper programme of Achmea Hypotheekbank N.V. is EUR 1.5 billion. The maximum scope of the debt-issuance programme for debenture loans contracted by Achmea Holding N.V. is EUR 2.5 billion. The maximum set for the commercial paper programme of Achmea Holding N.V. is EUR 2.5 billion. The debenture loans carry interest at 5.75% and the commercial paper carries interest at 2.22% on average.

The Syndicated Term Loan and the Revolving Credit Facility issued by Friends First Finance Ltd. form part of the debt-issuance programmes, under which loans can be provided up to an agreed amount at pre-determined terms. The maximum size of the debt-issuance programme amounts to EUR 270.0 million and has a maturity of December 2007. The average interest on these loans is 4.2% (2004: 4.2%).

The floating rate notes issued by Eureko B.V. are re-deemable in 2006 and the average interest in 2005 is 2.7% (2004: 2.1%).

The loans issued by Interpolis N.V. are used for funding of the property for own use and long term of nature. The average interest in 2005 is 5.6%.

Subordinated loans

The subordinated loans are subordinated to all other current and future liabilities and they are all equal in rank. The average interest rate for 2005 was 6.2% (2004: 7.4%).

28 Derivatives

	Interest rate	Currency	Other	**Total 2005**	Total 2004
Balance at 1 January	712.5	106.4	6.1	**825.0**	614.0
Consideration received	49.9		1.2	**51.1**	157.6
Consideration paid	–132.5	–78.4		**–210.9**	–83.0
Fair value changes	–30.9			**–30.9**	137.3
Change in assumptions			–2.9	**–2.9**	–0.9
Balance at 31 December	**599.0**	**28.0**	**4.4**	**631.4**	**825.0**

Details of the nature of the derivative instruments outstanding at the balance sheet date are set out in Note 53.

29 Deferred tax liabilities

Deferred tax liabilities are attributable to the following items:

	Balance at 1 January 2005	Change in composition of the Group	Recognised in income	Recognised in equity	Other movements	**Balance at 31 December 2005**	Balance at 31 December 2004
Intangible assets		221.4	0.7	0.3		**222.4**	
Investments	361.9	309.0	0.2	119.2	59.0	**849.3**	361.9
Deferred acquisition costs	22.1	–0.1			7.7	**29.7**	22.1
Other assets	6.1		0.6		0.1	**6.8**	6.1
Insurance liabilities		101.4	–96.4	15.0	–3.1	**16.9**	
Other provisions	0.6				–0.5	**0.1**	0.6
Re-insurance	22.5		1.4			**23.9**	22.5
Other liabilities	41.1	–0.2	0.1		–27.1	**13.9**	41.1
	454.3	**631.5**	**–93.4**	**134.5**	**36.1**	**1,163.0**	**454.3**

The tax rates used in calculating Eureko's deferred taxes are the applicable national rates, which in 2005 and 2004 ranged from 12.5% to 33.3%. Changes in tax rates already adopted as at 31 December 2005 are taken into account.

Notes to the Consolidated Financial Statements continued

30 Other liabilities

	2005	2004
Liabilities out of direct insurance		
– Policyholders	859.0	344.4
– Agents	257.0	29.8
– Pre-paid premiums	27.1	14.8
Other investment liabilities	27.8	19.4
Credit institutions	0.6	0.7
Re-insurance liabilities	145.1	118.1
Taxes and social security premiums	99.2	92.4
Creditors	313.5	173.9
Cash liabilities	346.5	170.9
Employee benefits	26.7	14.0
Accruals and deferred income	433.1	352.0
Other	636.3	591.0
	3,171.9	1,921.4

Supplementary notes

31 Contingencies

Legal procedures

Eureko B.V. and companies forming part of Eureko B.V. are involved in lawsuits and arbitration proceedings. These actions relate to claims instituted by and against these companies arising from ordinary operations and mergers, including the activities carried out in their capacity as insurers, credit providers, employers, investors and tax payers. Although it is not possible to predict or define the outcome of pending or imminent legal proceedings, the Executive Board believes that it is unlikely that the outcome of the actions will have a material, negative impact on the financial position of the operating results of Eureko B.V.

Contingent liabilities

	2005	2004
Contracted pre-investments	**53.0**	18.3
Guarantees	**1,287.7**	686.4
Irrevocable letters of credit	**707.2**	422.6
Operating leases and rental contracts	**234.4**	237.7
Other commitments	**51.7**	32.1
	2,334.0	**1,397.1**

The Dutch-based insurance companies of Eureko have given guarantees to Nederlandse Herverzekeringsmaatschappij voor Terrorismeschaden N.V. to a maximum of EUR 81.0 million. Nederlandse Herverzekeringsmaatschappij voor Terrorismeschaden N.V. is a company in which the participating insurance companies pool the claims and risks relating to terrorism. The guarantee of EUR 81.0 million is part of the total amount of guarantees as presented under Other contingent liabilities.

Operating leases and rental contracts

	2005	2004
Less than one year	**64.0**	61.5
Between one and five years	**119.7**	118.8
More than five years	**50.7**	57.4
	234.4	**237.7**

During the current year EUR 3.7 million was recognised as an expense in the Income Statement in respect of operating lease (2004: EUR 4.9 million). EUR 3.4 million was recognised as income in respect of subleases (2004: EUR 1.0 million).

Contingencies related to shares subject to re-purchase agreement

Several shareholders of Eureko have rights that allow them to sell their shares on market based conditions during a certain timeframe to an unrelated third party. When an option is exercised, Eureko agreed to enter into a cash settled derivative transaction with the third-party, pursuant to which Eureko will pay an upfront premium in the same amount as the settlement amount of the related option. During the life of the derivative transaction, which has no fixed maturity, Eureko will receive all dividends distributed to the third party in return for a fixed fee. Upon unwinding of the derivative transaction, Eureko will receive in cash the upfront premium paid plus a part of the fair value changes of the Eureko shares held by the third party during the life of the derivative transaction.

Notes to the Consolidated Financial Statements continued

The number of outstanding options and the movements during the financial year 2005 are reflected in the following table:

	Outstanding as at 31 Dec 2004	Exchanged in 2005	**Outstanding as at 31 Dec 2005**
Option type 1			
Friends Provident Investment Holdings Plc.	6,653,531		**6,653,531**
Länsförsäkringar Liv Försäkrings ab (publ)	1,761,294		**1,761,294**
Länsförsäkringar SAK Försäkrings ab (publ)	1,761,294		**1,761,294**
Schweizerische Mobiliar Holding AG	2,769,246		**2,769,246**
Gothaer Allgemeine Versicherung AG	1,849,108		**1,849,108**
Gothaer Lebensversicherung AG	1,369,558		**1,369,558**
ASSTEL Lebensversicherung AG	836,924		**836,924**
	17,000,955		**17,000,955**
Option type 2			
Covea Part. SAS	6,667,240		**6,667,240**
	6,667,240		**6,667,240**
Option type 3			
Mr Dimitrios Contominas	8,722,752	–4,110,032	**4,612,720**
Dievropaiki SA	2,347,072		**2,347,072**
	11,069,824	**–4,110,032**	**6,959,792**
	34,738,019	**–4,110,032**	**30,627,987**

The following option types are distinguished:

Option type 1
Options are directly exercisable. The transaction will take place on basis of a valid valuation made by the Eureko valuer in accordance with Eureko valuation principles which can not be older than six months. The option value has been maximised at EUR 438 million. When exercised, the option is settled in form of a perpetual or 30 year listed subordinated debt instrument with an interest deferral provision of up to five years. This put option can be exercised until the date of listing of Eureko B.V. at a stock market.

Option type 2
In 2004, MAAF Assurances S.A. and MAAF Vie S.A. transferred their shareholding in Eureko to Covea Part. SAS. As part of this transaction, the option conditions have changed. Under the current conditions the options are exercisable as from 1 October 2006. The option is fixed at EUR 215 million. The payment shall take place by settling a loan that has been granted to Covea Part. SAS for this amount. The put option can be exercised until the earlier of value date of listing of Eureko B.V. at a stock market or 1 July 2009.

Option type 3
During 2005, one of the option type 3 holders delivered shares to another shareholder as part of a preliminary settlement of an agreement, signed in 2004, pursuant to which the option type 3 holder would sell EUR 127 million worth of shares to the other shareholder based on a valuation of Eureko as of 31 December 2005.

As per 31 December 2005 the option type 3 holders announced that they will exercise all the remaining options. The option will be settled 50% in cash and 50% in the form of a perpetual or 30 year debt instrument rated at least BBB+, or 100% in cash in case no such rating can be obtained. The transaction will take place in 2006 on the basis of a valid valuation made by an expert third party in accordance with the Eureko valuation principles.

Contingent assets

PZU

Acquisition of PZU
In 1999, Eureko B.V., acted as consortium leader with Bank Millennium, investing 3 billion Zlotys (±EUR 700 million) to buy 30% of PZU. The acquisition was based on the Polish Government's decision and promise to privatise PZU, the largest insurance company in Poland, in 2000 by an Initial Public Offering (IPO) on the Warsaw Stock Exchange. PZU's Initial Public Offering (IPO), the third and last step of privatisation, was stipulated and agreed in two agreements made between Eureko and the State Treasury of Poland. The Government's stated aim, in the privatisation agreement, was to divest its majority shareholding in PZU, reducing its stake to about 5%. In the second step in the privatisation process the Polish Government granted 15% of the shares in PZU to PZU employees, leaving the State retaining a shareholding of 55%. This stake the Polish State still holds today. Eureko subsequently acquired an additional 10% from Bank Millennium, and 3% of the employees' shares. As of 25 January 2006 Eureko controls 33% – 1 share and has submitted notification to the regulator to extend its shareholding from the permitted 33% threshold to 36.1%.

The Polish State appointed management in PZU
The Polish State Treasury still holds the majority shareholding in PZU and, as such, appoints the majority of the management in PZU. These appointments, however, have in general, a political nature and are not aimed at improving or properly running PZU's business. Since November 1999, PZU has had seven CEOs appointed by the State Treasury. Every political party appoints its own members and since 1999, Eureko has had to deal with 10 Treasury Ministers.

Numerous scandals have come to light concerning the state-appointed management, which led to a serious conflict between Eureko, as the Strategic Investor, and the Polish State.

Conflict between the Polish State and Eureko
The grounds of the conflict between Eureko and the State Poland are two-fold:
1. PZU should be privatised as soon as possible by the State of Poland according to the stipulated agreements.
2. PZU should be run as an independent, transparent, commercially oriented company with good and effective corporate governance, and not as a vehicle for dispensing political favours.

Resolving the conflict
The two Parties have made several attempts to resolve the conflict. Two of the most important were:
– In 2001, the Polish Government invited the Eureko consortium to acquire a majority shareholding upon an Initial Public Offering of PZU. The IPO was re-scheduled to take place by the end of 2001, at the latest. The execution of this third agreement was blocked by the subsequent government.
– In December 2004, during the arbitration (see below) Eureko accepted a settlement agreement. This proves that Eureko is not only ready to co-operate with the Government in finding an amicable solution but also prepared to make substantial concessions and to postpone its legal procedures. The Polish cabinet also accepted the proposed agreement, but Minister Socha bowed to uninformed political pressure and refused to sign the agreement without the Sejm's official blessing, even though he was authorised to do so.

Eureko seeks international arbitration
After numerous attempts at finding an amicable solution and fruitlessly waiting for the Miller Government to deliver the proposals it promised, Eureko decided, in 2002, to seek arbitration under the bi-lateral Polish-Dutch Investment Treaty. Eureko claimed, under this arbitration, that the Polish government did not execute its part of the agreement with Eureko, namely to privatise PZU via an IPO.

In August 2005, the International Arbitration panel issued a partial award strongly supporting Eureko's claims against the Polish State, and did so in exceptionally strong language. For example, it describes Poland's behaviour as "outrageous and shocking". In the second part of the proceeding the remedies and the amount of damages are to be determined. Poland is still obliged to perform the privatisation agreements.

Despite the strong wording of the Tribunal in favour of Eureko, the Treasury Minister submitted a grievance complaint against the arbitration decision to the Belgian courts. Furthermore, the Polish Government has taken an exceptional stance by challenging the impartiality of an arbitrator by filing for his removal. The Minister admitted publicly that the main reason for these actions were just to buy time.

Notes to the Consolidated Financial Statements continued

Meanwhile the harassment and non performance continues
Unfounded accusations, previously investigated and discarded by Polish institutions as untrue were spread anew as if they were amazing revelations. Despite its fiduciary duties, the Polish government tacitly supported these allegations by failing to refute publicly their veracity. In January 2006, a Polish Court ruled that ex-Minister Chronowski must publicly apologise for his accusations and cannot hide behind parliamentary immunity as a senator. Mr. Chronowski appealed this ruling.

Parliamentary Inquiries only looked at one side
In a 'witch-hunting' environment, early in 2005, a Parliamentary Inquiry Commission was formed to review the PZU privatisation. Eureko volunteered to provide any and all assistance to the PIC, including the appearance of Ernst Jansen, its Vice-Chairman in publicly-televised hearings. Furthermore, in following its policy of total transparency, Eureko delivered the entire file of its correspondence with the Treasury to the PIC and published it in the form of a 'White Book', in April 2005. Eureko also submitted written testimony and beseeched the PIC several times to appear at the hearings. The PIC disregarded Eureko's requests, while its Chairman and members attacked Eureko, depriving it of the ability to protect its good name and reputation, in violation of normal legal principles.

In parallel, an investigation was launched by the Polish Prosecution Office in Gdañsk. Similarly to the PIC, Eureko offered its assistance and the Prosecution Office elected to utilise it, whereby Ernst Jansen spent four days in Gdañsk giving witness statements. Eureko also provided a complete file of the correspondence and extensive commentary on the circumstances surrounding these events, answering all questions posed by the prosecution.

Eureko's last attempt to resolve the conflict
In the two months following the arbitration court's ruling, in August 2005, because of general elections, the outgoing government did not take any action to try to solve the dispute, essentially stating that this would be the next government's role.

In yet another attempt to achieve a solution to the conflict Eureko launched conciliatory proceedings before a Polish Court. At the first hearing on 22 November 2005, Eureko presented its settlement position, namely that the Polish State finally sell the promised 21% stake in PZU S.A., at 2001 prices, for PLN 2.1 billion, and that the Polish State pay, by 30 June 2006, damages presently estimated at PLN 6 billion – to be verified by experts appointed by both parties.

On 22 November 2005, the Polish government declared its willingness to work on a settlement and confirmed this at the following Polish Court hearing on 4 January 2006. However, in a written brief to the Polish Court on 31 January 2006, the Polish State suddenly withdrew its willingness to resolve the conflict. The State justifies this decision in its third reaction by the fact that it denies that the State Treasury is absolutely and unconditionally obliged to perform the existing agreements between the Parties. This reaction is somewhat surprising as the State of Poland has stated at the Hearings before the Arbitration Tribunal in 2004 very clearly, that it is ready to comply with the existing agreements – and correctly so, as the Tribunal has confirmed that the agreements are still valid and Poland is obliged to comply.

Conclusion
Eureko expects the Polish State to execute the existing agreements of 1999 and 2001. The new Polish government appears to have chosen the path taken by the former government, which deliberately frustrated the enactment of the existing agreements, whose validity it never challenged but actually upheld in the arbitration.

Eureko is committed to PZU and Poland. Eureko is not interested in selling its shareholding in PZU. It will honour its obligations as an investor and buy the additional 21% stake, as contractually agreed in 2001. As required by Polish regulations, Eureko will finance it by its own means. Eureko expects the Polish State similarly to honour its obligations, as definitively confirmed in arbitration, to protect the rights of bona fide investors. Despite winning the first phase of the arbitration, Eureko is, as always, still prepared to discuss an amicable solution, involving international financial institutions. Eureko is convinced that an elegant compromise is feasible, but is concerned by the slanderous character of political discussion in Poland, and the 'ostrich-like policy' of the government.

To reach a real solution and limit the damage done to Poland's reputation as a safe place to invest, and to Eureko as one of the largest investors in Poland, PZU must become a transparent, professionally-managed, listed company, acting in the interests of its customers, staff and shareholders, and must not remain a political tool. It is the moral and legal duty of the Polish government to carry out the valid agreements and the PZU privatisation strategy which was approved by the Sejm in 1998.

On 9 January 2006, Eureko wrote a letter to Prime Minister Marcinkiewicz to confirm Eureko's willingness to negotiate.

32 Related parties

Identity of related parties

Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operating decisions. In the normal course of the business, Eureko Group maintains various types of ordinary business course relations (particularly in the area of insurance, banking and asset management) with related companies and parties. Besides this, the related parties comprise associates, non-consolidated participating interests, joint ventures, key management personnel and close family members of related parties. The transactions with those parties are not considered material to Eureko Group, either individually or in the aggregate.

Remuneration of the Executive Board and the Supervisory Board

In addition to their salaries, Eureko makes contributions to defined benefit plans that provide pension benefits for members of the Executive Board upon retirement. The plans are based upon final salary. Eureko uses similar assumptions and methods as used for the other defined benefit plans as disclosed under the Balance Sheet dislosure note Employee benefits.

Executive officers also participate in the Group's equity participation plan (see also balance sheet disclosure note on Other provisions).

Total remuneration of the Executive Board of Directors:

	2005	2004
Fixed remuneration	**4.0**	4.9
Short-term performance related bonus	**1.5**	1.1
Post-employment benefits	**1.5**	8.5
Termination benefits	**3.0**	1.6
	10.0	**16.1**

Based on the collective labour agreement for personnel and management, base salary increased by 1.25% (per 1 July 2005).

As a result of the merger between Eureko and Interpolis, the members of the Board of Interpolis joined Eureko's Executive Board as from 1 November 2005. The above presented remuneration includes the remuneration of the members of the former Board of Interpolis for only the last two months of 2005. If the combined Executive Board would have been in place as from the beginning of the year the remuneration would have amounted to EUR 12.8 million (2004: EUR 18.2 million).

	2005	2004
Number of directors in active service	**9**	7
Average number of directors during the year	**7**	8

Average remuneration of an Executive Board member (excluding termination benefits and past service costs):

	2005	2004
Fixed remuneration	**0.56**	0.59
Short-term performance related bonus	**0.20**	0.14
Post-employment benefits	**0.21**	0.17
	0.97	**0.90**

Notes to the Consolidated Financial Statements continued

The Supervisory Board members received a total remuneration of EUR 1.8 million (2004: EUR 1.1 million). The Supervisory Board members are not entitled to any bonuses or stock options.

Other related party transactions

Outstanding balances with respect to:

	2005	2004
Parents	398.3	228.9
Associates	15.2	2.6
Key management personnel	6.2	6.2
Other related parties	0.1	0.1
	419.8	237.8

Main shareholders

The main shareholders of Eureko are Association Achmea via Stichting Administratiekantoor Achmea (46.15% as at 1 January 2006) and Rabobank (34.43% as at 1 January 2006).

Rabobank

After Eureko's acquisition from Rabobank of 100% of the shares of Interpolis against the issuance of own shares, Rabobank has become a major shareholder of Eureko. For full details on this acquisition reference is made to note 4 (Acquisition of subsidiaries). For its operations Eureko uses various regular banking services of Rabobank. This particularly concerns Interpolis, the former insurer of Rabobank. All services and transactions with the Rabobank are at arm's-length and based on regular market rates.

Distribution channel

Local Rabobanks are a major distribution channel for the Interpolis insurance products. For the distribution of insurance products Interpolis has paid commission of EUR 43 million to local Rabobanks over the last two months of 2005. Furthermore Rabobank acts as a distribution channel for the Achmea brands Zilveren Kruis and Avéro. With the introduction of the Basic Health Insurance, a specific offer has been made to the affiliated members ('aangesloten leden') of the Rabobank. They are granted a 7.5% discount on the basic health insurance premiums and 10% on the premiums for the additional health insurance.

Asset management

Management of the largest part of the Interpolis investments is partly outsourced to Robeco, an important asset manager within the Rabobank Group. For the rendering of these services Interpolis has paid fees over the last two months of 2005 amounting to EUR 2.0 million.

Facilitating services

Amongst others Interpolis obtains ICT services from Rabofacet, the facilitating service unit within the Rabobank Group. For these services Interpolis paid fees over the last two months of 2005 amounting to EUR 4.0 million.

Insurance services delivered to Rabobank

Rabobank has insured several risks with Interpolis. The premiums related to this insurance coverage over the last two months of 2005 are less than EUR 1.0 million. Furthermore Rabobank entered into a collective Health insurance contract with Zilveren Kruis.

Mr Contominas

As per 1 January 2006, Mr Contominas holds 2.02% of the shares of Eureko. During 2005 and in the beginning of 2006 Eureko entered into the following transactions with Mr Contominas and/or companies controlled by Mr Contominas. All transactions were done at an arm's-length basis:

- On 21 December 2004, Interamerican Hellenic Life Insurance Company S.A. signed an agreement to sell its shares held in Novabank, representing 10% of the total share capital of the bank, to Intercapital Trust Limited (a company controlled by one of Eureko's shareholders Mr Contominas). The sales transaction has been closed on 27 April 2005 at a price of EUR 38.0 million.
- On 17 May 2005, Interamerican Hellenic Life Insurance Company S.A. and Interamerican Property and Casualty insurance company S.A. signed an agreement to sell their shares held in Intertech International Technologies S.A., representing 44.36% of the total share capital of the company, to Cosmotelmo S.A. (a company controlled by one of Eureko's shareholders Mr Contominas). The sales transaction has been closed on 18 May 2005 at a price of EUR 17.8 million.
- On 31 May 2005 Interamerican Hellenic Life Insurance Company S.A. sold its 70% stake in Interamerican Cards Financial Service Systems S.A. (currently named Bestline Cards S.A.) to Demco Investments and Commercial S.A. (a company controlled by one of Eureko's shareholders Mr Contominas) at a price of EUR 8.9 million. In January 2006 an agreement has been reached between Interamerican Hellenic Life Insurance Company S.A. and Demco Investments and Commercial S.A. about the re-purchase of 70% of the shares of Bestline Cards S.A. (Interamerican Cards Financial Service Systems S.A.) The agreed purchase price amounts to EUR 9.2 million.
- In December 2005 Mr Contominas stepped down as Chairman of Interamerican and at that time he also offered to sell his shareholding in Eureko in the near future.
- At the beginning of 2006 Mr Contominas acquired the shares of Interlife Cyprus that were held by competitors of that company. At the same time Eureko was granted a call option on these shares.

F&C Asset Management plc

In 2004, Eureko merged its fully owned F&C Asset Management activities with ISIS Asset Management plc, a fully consolidated listed subsidiary of Friends Provident plc, which is a 1.93% shareholder of Eureko as at 1 January 2006. After the merger Eureko owns 20.95% of the shares in the new combination and is as a result no longer the controlling shareholder. As part of the transaction, agreements have been made between parties about the continuation of the Asset Management activities for the Eureko Group by the new combination for a 10-year period. The agreed fees are market based.

Notes to the Consolidated Financial Statements continued

Notes to the Consolidated Income Statement

(Amounts in millions of euros, unless otherwise stated)

33 Gross written premiums Life

	Individual	Group	Account policy-holder	**Total 2005**	Total 2004
Achmea	380.1	725.5	702.8	**1,808.4**	1,763.8
Interpolis	293.1	1.4	143.4	**437.9**	
Friends First	58.6	64.7	108.1	**231.4**	229.3
Interamerican	146.8	19.1	9.4	**175.3**	169.3
Other	133.3	3.8	17.1	**154.2**	149.3
	1,011.9	**814.5**	**980.8**	**2,807.2**	**2,311.7**

	Single premium	Annual premium	**Total 2005**	Total 2004
Individual Life insurance				
with profit sharing	177.1	314.7	**491.8**	283.7
without profit sharing	202.3	317.8	**520.1**	530.7
for account policyholders	17.8	505.7	**523.5**	458.1
	397.2	**1,138.2**	**1,535.4**	**1,272.5**
Group Life insurance				
with profit sharing	330.6	365.0	**695.6**	558.5
without profit sharing	2.9	116.0	**118.9**	134.8
for account policyholders	166.7	290.6	**457.3**	345.9
	500.2	**771.6**	**1,271.8**	**1,039.2**
	897.4	**1,909.8**	**2,807.2**	**2,311.7**

34 Gross written premiums Non-Life

	Accident	Motor liability	Motor other	Transport/ aviation	Property	General liability	Legal assistance	Other	**Total 2005**	Total 2004
Achmea	83.0	360.9	345.2	56.0	346.9	100.7	50.1	5.1	**1,347.9**	1,304.8
Interpolis		35.2	32.2	1.1	60.9	12.2	13.1	0.6	**155.3**	
Interamerican	2.8	59.0	21.2	3.3	28.0	6.0	2.6	13.9	**136.8**	133.3
Other	13.2	7.2	3.3	1.0	8.3	3.2		22.4	**58.6**	39.3
	99.0	**462.3**	**401.9**	**61.4**	**444.1**	**122.1**	**65.8**	**42.0**	**1,698.6**	**1,477.4**

	2005	2004
Accident	**99.0**	69.7
Motor liability	**462.3**	426.9
Motor other	**401.9**	366.4
Transport/aviation	**61.4**	58.4
Property	**444.1**	366.2
General liability	**122.1**	98.0
Legal assistance	**65.8**	51.4
Other	**42.0**	40.4
	1,698.6	**1,477.4**

35 Gross written premiums Health

	Health insurance	Occupational health insurance	**Total 2005**	Total 2004
Achmea	1,703.8	307.8	**2,011.6**	1,693.2
Interpolis		23.6	**23.6**	
Interamerican	36.1		**36.1**	42.0
Other	0.3		**0.3**	
	1,740.2	**331.4**	**2,071.6**	**1,735.2**

	2005	2004
Health insurance	**1,740.2**	1,397.7
Occupational health insurance	**331.4**	337.5
Total	**2,071.6**	**1,735.2**

Notes to the Consolidated Financial Statements continued

36 Income from associated companies

	2005	2004
Results from investments in associated companies	271.3	137.6
Results from investments in participating interests	25.0	14.5
	296.3	152.1

Results from investments in associated companies

	2005	2004
PZU S.A.	270.0	110.5
Other	–3.6	22.3
Income from associated companies	266.4	132.8
Impairment loss	–0.9	–1.0
Capital gain from the sale of associates	6.3	5.8
Other	–0.5	
	271.3	137.6

Results from investments in participating interests

	2005	2004
Dividends	25.0	14.5
	25.0	14.5

37 Investment income

Income from investments based on accounting treatment of investments

	2005	2004
Investment property	83.2	77.1
Investments available for sale	786.9	680.0
Investments at fair value through income statement	203.3	141.4
	1,073.4	898.5
Investment expenses	–40.0	–7.4
Direct operating expenses investment property	–16.2	–15.2
	1,017.2	875.9

Income from investments based on the nature of investments

	2005	2004
Investment property	83.2	77.1
Direct income from other financial investments		
Equities and similar investments	89.3	77.3
Bonds	656.8	567.1
Loans	120.6	89.9
Mortgages	11.0	3.7
Deposits	11.7	6.9
Derivatives	–2.2	47.8
Other	103.0	28.7
	1,073.4	898.5

Income from investments based on the nature of the income

	2005	2004
Interests	**900.9**	744.1
Rental income	**83.2**	77.1
Dividends	**89.3**	77.3
	1,073.4	**898.5**

38 Realised and unrealised gains and losses

	2005	2004
Realised and unrealised gains and losses on financial assets:		
Investment property	**50.3**	30.0
Investments available for sale	**520.1**	224.6
Investments at fair value through income statement	**145.3**	174.2
Impairment losses on investments	**–8.5**	–1.6
Reversals of impairment losses on investments		0.7
Foreign currency differences	**–11.8**	–99.4
	695.4	**328.5**
Realised and unrealised gains and losses on financial liabilities:		
Loans and borrowings	**–2.4**	6.0
Other	**0.5**	6.4
Foreign currency differences	**1.6**	
	–0.3	**12.4**
	695.1	**340.9**

The realised and unrealised results arising from financial assets and financial liabilities, which are attributable to banking operations are presented under Banking income and Banking expenses.

A total of EUR 28.5 million of the unrealised results from fair value changes is related to investments which are measured using a valuation technique.

The realised and unrealised results attributable to banking operations are presented under Note 47 Banking expenses.

39 Income from investments backing linked liabilities

	2005	2004
Direct income from:		
Investment property	**25.3**	3.8
Equities and similar investments	**58.4**	46.4
Fixed income securities	**44.6**	37.7
Other investments	**21.3**	–0.8
	149.6	**87.1**
Net foreign currency differences	**12.3**	–13.4
Unrealised and realised re-valuation results:		
Investment property	**71.5**	22.3
Equities and similar investments	**1,493.7**	405.4
Fixed income securities	**27.9**	30.7
Derivatives	**16.1**	1.9
Other	**0.5**	
	1,771.6	**534.0**
Investment expenses	**–6.9**	–7.4
	1,764.7	**526.6**

Notes to the Consolidated Financial Statements continued

40 Banking income

	2005	2004
Interest income	826.5	839.3
Unrealised and realised results	–14.4	–41.3
Commissions	23.8	25.7
Other	5.5	16.5
	841.4	840.2

The interest income includes accrued interest on impaired loans for an amount of EUR 1.5 million (2004: EUR 0.9 million).

41 Fee and commission income, and income from service contracts

	2005	2004
Fee and commission income	371.8	396.1
Income from service contracts	15.7	
	387.5	396.1

42 Other income

	2005	2004
Net foreign currency differences	0.1	–0.3
Finance lease income	0.1	0.1
Other income	127.5	102.4
	127.7	102.2

43 Claims and movements in insurance liabilities

	2005		2004	
	Gross	Re-insurance	Gross	Re-insurance
Life:				
Claims paid	2,121.6	88.4	2,343.5	47.9
Changes in insurance liabilities	690.2	–2.7	329.3	–3.8
	2,811.8	85.7	2,672.8	44.1
Non-Life:				
Claims paid	976.9	34.0	894.5	35.8
Changes in insurance liabilities	92.1	0.8	65.9	–19.4
	1,069.0	34.8	960.4	16.4
Health:				
Claims paid	1,824.8	20.9	1,525.8	5.6
Changes in insurance liabilities	157.0	–9.1	179.6	–2.2
	1,981.8	11.8	1,705.4	3.4
Total claims and movement in insurance liabilities	5,862.6	132.3	5,338.6	63.9
Exercising rights to recoveries	–70.0		–76.5	
Claims handling expenses	122.1		97.6	
	5,914.7	132.3	5,359.7	63.9

44 Profit sharing, bonuses and rebates

	2005	2004
Amortisation interest surplus rebates	58.8	55.3
Profit sharing	622.4	127.9
	681.2	183.2

Profit sharing includes profit sharing for own account, profit sharing for policyholders and changes in the (un)realised gains and losses of fixed income securities within the Dutch life insurance business.

45 Benefits on investment contracts

	2005	2004
Fair value changes investment contracts	370.4	128.4
Other benefits on investment contracts	–4.5	0.2
	365.9	128.6

46 Operating expenses

	2005	2004
Salaries	578.7	548.1
Social security charges	61.4	66.3
Pensions	126.3	135.9
Share-based payment expense	9.1	4.7
Others	201.8	193.0
Staff costs	977.3	948.0
Marketing and advertising expenses	111.2	86.0
Acquisition costs	358.0	285.9
General expenses	393.7	429.0
	1,840.2	1,748.9
Less: claims handling expenses	122.1	97.6
Less: direct operating expenses from investment property generating rental income	1.7	
Less: direct operating expenses from investment property not generating rental income	14.5	15.2
Less: investment expenses	46.9	14.8
	1,655.0	1,621.3

Notes to the Consolidated Financial Statements continued

Number of employees (at the end of the year, based on FTE)

	Achmea	Interpolis	Friends First	Interamerican	Union	Other	Total 2005	Total 2004
Life insurance activities	1,364	755	360	665	55	67	3,266	2,895
Non-Life insurance activities	1,617	1,742		471	225		4,055	2,409
Health activities	3,746	1,288		758		98	5,890	4,837
Banking activities	633		84				717	776
Other activities	4,269	1,861	55	36		17	6,238	3,633
	11,629	5,646	499	1,930	280	182	20,166	14,550

The numbers of employees mentioned above also includes employees with temporary contracts.

Other activity employee numbers have increased significantly. Besides the Interpolis merger this was caused by the development of a shared service centre. In 2004 these shared service centre employees were a part of the commercial activities as mentioned above.

47 Banking expenses

	2005	2004
Interest expense	561.9	609.6
Commission expenses	0.3	3.5
Other banking expenses	0.1	0.4
	562.3	613.5

The normal operating expenses, like staff costs, are included in note 46.

48 Interest and similar expenses

	2005	2004
Interest expense	106.4	90.1
	106.4	90.1

49 Other expenses

	2005	2004
Amortisation charges	90.2	79.4
Impairment results	21.7	39.5
Re-insurance profit sharing and commission	–9.6	–11.0
Other expenses	151.1	95.5
	253.4	203.4

Amortisation charges

	2005	2004
Intangibles	29.6	11.6
Property for own use	10.5	12.3
Equipment	48.9	54.5
Other	1.2	1.0
	90.2	**79.4**

50 Income tax expenses

Reconciliation of effective tax rate

	2005	2004
Profit before tax	813.3	1,129.7
Income tax using the domestic corporation tax rate	256.2	389.7
Effect of tax rates in foreign jurisdictions	–7.5	–5.8
Non-deductible expenses	2.5	3.8
Tax exempt revenues	–21.8	–26.5
Tax facilities	2.0	
Untaxed gains on disposal of subsidiaries		–239.0
Participation exemption	–82.1	–52.5
Effect of tax losses utilised	–15.0	
Reduction in tax rate	12.2	17.3
Other	–5.5	12.8
Under/(over) provided in prior years	–33.4	8.2
Effective tax amount	**107.6**	**108.0**

	2005	2004
Current tax expense		
Current year	273.9	192.3
Under/(over) provided in prior years	–33.4	8.2
	240.5	**200.5**
Deferred tax expense		
Origination and reversal of timing differences	–127.5	–117.9
Reduction in tax rate	12.2	17.3
Benefit of tax losses recognised	–15.0	
	–130.3	**–100.6**
Tax expense related to discontinued operations	–2.6	8.1
Total income tax expense in Income Statement	**107.6**	**108.0**

51 Minority interest

The minority interest in the Income Statement can be specified as follows:

	2005	2004
Agritech B.V.		–2.4
Life Sciences Partners I B.V.		1.1
Interamerican Romania Insurance Company S.A.	–0.5	–0.3
Intertrust		0.8
Other	0.3	
	–0.2	**–0.8**

Notes to the Consolidated Financial Statements continued

52 Earnings per share

Basic earnings per share

The calculation of earnings per share at 31 December 2005 was based on the net profit attributable to ordinary shareholders of EUR 680.4 million (2004: EUR 1,084.9 million) and a weighted average number of ordinary shares outstanding during the year ended 31 December 2005 of 223,684,224 (2004: 201,214,026). Early in 2005 the shares subject to re-purchase agreement were re-classified to Total equity. To make calculation of the earnings per share comparable, the net profit for 2004 has been adjusted with the result on shares subject to re-purchase agreement. In calculating the weighted average number of ordinary shares for 2004 the shares subject to re-purchase agreement have also been included.

Net profit attributable to ordinary shareholders

	2005			2004		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Net profit	721.3	–15.4	705.9	286.8	735.7	1,022.5
Dividends on non-redeemable cumulative preference shares	–25.5		–25.5	–25.5		–25.5
Result on shares subject to re-purchase agreement				87.9		87.9
Net profit attributable to ordinary shareholders	**695.8**	**–15.4**	**680.4**	**349.2**	**735.7**	**1,084.9**

Weighted average number of ordinary shares

Number of shares	2005	2004
Issued ordinary shares at 1 January	174,152,753	156,837,586
Effect of shares issued in October 2005	17,688,287	
Effect of shares issued in March 2004		8,599,448
Effect of shares issued in June 2004		3,933,808
Weighted average number of ordinary shares at 31 December	191,841,040	169,370,842
Effect of re-classification shares subject to re-purchase agreement	31,843,184	31,843,184
Weighted average number of ordinary shares including shares subject to re-purchase agreement at 31 December	223,684,224	201,214,026

Earnings per share

	2005	2004
Earnings per share continuing operations (euro)	3.11	1.74
Earnings per share discontinued operations (euro)	–0.07	3.65
Basic earnings per share (euro)	3.04	5.39

The diluted earning per share are equal to the basic earnings per share.

53 Eureko's Risk Management

1. Introduction

As taking risk is inherent to our business, the Executive Board considers risk management one of the core competences of our organisation. Risk management has impact on all areas of management and is therefore an integrated part of our controlling process. The Executive Board manages the overall risk profile, aiming for a good balance between risk, return and capital. Risk management is directed to protect the financial strength of Eureko and increase its value on a sustainable basis. To ensure that the risks are measured, monitored and managed properly at all times, Eureko has an organisational structure for risk management and internal control.

The following sections present an outline of:
2. Eureko's risk management structure and policies;
3. Risk parameters and mitigation techniques;
4. till 8. Identified risk factors per Business Line.

2. Eureko's risk management structure and policies

a. Structure

At group level within Eureko four committees play an important role in Eureko's risk management framework. The Group Risk Management Committee (GRMC) fulfils a central and co-ordinating role in Eureko's risk management. The core responsibility of the GRMC is to provide the Executive Board with a comprehensive and consolidated risk view of Eureko, and to monitor progress in improvement in risk management.

Operational risks are monitored in the GRMC itself, two other committees exist for specific risks, which provide quarterly reports to the GRMC:

• The Capital and Liquidity Committee monitors the development of Eureko's capital resources and liquidity; it develops and provides a market-oriented framework for the planning of Eureko's capitalisation; and proposes and oversees execution of contingency plans.
• The Investment Committee is responsible for monitoring investments including the impact on net worth and income, setting investment guidelines, Asset and Liability Management and solvency management. A fourth committee on group level is the Portfolio Management Committee. Their role is to advise the Executive Board regarding the portfolio of companies within Eureko. This includes mergers, acquisitions and divestments.

Within the Banking operations the Bank Asset and Liability Committee (ALCO) is responsible for the management of interest rate and liquidity risk of the banking operations. The Bank ALCO uses a variety of quantitative instruments, mainly based on maturity mismatch analysis. The Bank ALCO operates within limits set by the Board of Directors and the Supervisory Board of the bank.

The credit risk within the bank is managed through strict underwriting procedures, and in case of large or non-standard exposures the risks are assessed on individual bases by the Credit Committee.

Operating Companies use risk and control self-assessments to identify risks and assess the level of control. Based on these assessments Operating Companies formulate internal control statements reporting on the level of risk exposure and internal control. The underlying risk control framework is based on the 'COSO Enterprise Risk Management' model. This framework requires Operating Companies to assess risks exposures and controls. As the most important insurance and financial risks are monitored on a regular basis, the emphasis of the annual self assessment is on the control environment and the main operational risks.

Action plans for managing identified risks and improving control weaknesses have been developed. These plans are regularly updated and discussed between the Operating Company and the Executive Board. Eureko Audit & Risk validates the statements and underlying evidence. At least annually the Executive Board discusses internal control with the Audit Committee of the Supervisory Board.

Notes to the Consolidated Financial Statements continued

b. Identified risk and policies

The Executive Board of Eureko sets policies on the major aspects of the business. These policies are regularly reviewed and updated to reflect the current market circumstances and expectations.

The major policies on insurance and financial risk are set out below.

Insurance risk

Definition

The risk inherent in the insurance operations. The Life insurance risk relates to changes in mortality and longevity. Non-Life and Health insurance risk relates firstly to the degree of changes in claims and the uncertainty in development of already incurred claims and secondly to claims due to catastrophe risk, wind and hail storms.

Major policies

Underwriting policies rely on regular review procedures with actuarial personnel, in which actual loss experience is examined. Statistical analysis tools are systematically employed in each line of business in order to refine underwriting standards and improve loss experience. The appointed actuaries of each Operating Company provide a statement of approval regarding the adequacy of insurance liabilities as at year-end.

In general all re-insured risks are covered in treaties. In rare exceptions some facultative re-insurance is arranged.

Mitigation

The major mitigating of insurance risk is by means of risk diversification within business areas and by means of re-insurance.

Market risk

Definition

This is the risk of possible losses caused by changes in interest rates, foreign exchange rates, equity prices and other relevant market prices.

Major policies

Exposure to market risk is formally managed in accordance with risk limits set under the responsibility of the Executive Board.

The policies take into account size of the exposure in relation to profitability and solvency and may or may not involve hedge accounting (either fair value or cash flow hedge accounting).

Mitigation

Eureko's exposure to market risk for its investments backing the insurance and investment contracts is considered within the context of Asset and Liability Management (ALM), both at Operating Company and group level.

Interest rate derivatives are used to improve the matching of assets and liabilities. This is done in accordance with the guidelines established by Eureko's Investment Committee and refined by the investment committee of the relevant entity.

In the context of Eureko's global portfolio diversification, a level of currency mismatch is allowed. In case of an expected material currency mismatch above the limit set in the policy, Eureko will engage in a hedge.

Credit risk

Definition

Possible losses caused by the inability to pay or a downgrade in the credit rating of debtors or counterparties arising from investment and lending activities.

Major policies

Eureko deals with counterparties of good credit standing and when appropriate, obtains collateral. Master netting agreements provide for the net settlement of contracts with the same counterparty in the event of default.

Any re-insurance company with which Eureko cedes insurance liabilities should have at least an ‘A–’ rating or similar credit standing.

Mitigation
Credit risk associated with investment activities, banking activities, re-insurers, brokers and policyholders is managed within diversified investment portfolios and generic and specific risk limits.

Liquidity risk
Definition
Risk which arises in the general funding of Eureko’s activities and in the management of positions. It includes both the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame to meet Eureko’s commitments.

Major policies
Contingency planning enabling the holding to survive for a minimum of 90 days without any access to financial markets.

Mitigation
Creating financial flexibility by optimisation of Eureko’s re-financing schedule; availability of internal and external liquidity facilities; and ensuring that a large proportion of financial instruments can easily be liquidated.

Operational risk
Definition
The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risks as specified in the risk control framework used throughout Eureko encompasses a wide variety of risks stemming from amongst others: processes, information and communication technology, project management, information security, fraud, compliance, safety and business continuity.

Major policies
Operational risk is managed within the operations of Eureko. Policies and reporting of operating risk are determined by the Group Risk Management Committee.

Mitigation
Operating Companies use risk and control self assessments to formulate internal control statements reporting on the level of risk exposure and internal control. Action plans for the managing of identified risks and improving control weaknesses have been developed and monitored.

3. Risk parameters and mitigation techniques

a. Risk parameters

Risk Based Capital Management/Economic Capital Management (RBCM)
The main purpose of RBCM is to enable Eureko to understand and be in control of the risks to the business. Based on this knowledge, more informed management decisions are made and business choices are evaluated. The RBCM framework provides information to allow management within Eureko to make more informed strategic choices in relation to capital allocation, performance measurement, asset mix, product pricing, re-insurance strategy, decisions about business mix, merger and acquisition prospects and future dividend strategy.

The RBCM reflects economic market risk, insurance risk and operational risk.

Within the risk models an important element is the risk appetite. The risk appetite of Eureko is quantified in three elements: The amount of capital to be protected, the period of protection and the certainty of protection. The Risk Based Capital is defined as the capital required to maintain the insurance liabilities over a one (with a confidence level of 99.95%) or five year period (with a confidence level of 99.5%) with a certainty corresponding to a S&P default probability of an ‘A’ rating.

Notes to the Consolidated Financial Statements continued

Asset and Liability Management
Eureko manages the identified risk positions within an asset and liability management (ALM) framework that has been developed to achieve long-term investment returns in excess of its obligations under insurance, investment contracts and banking liabilities. The principal technique of the insurance ALM is to maximise expected returns on assets within the permitted risk framework which focuses on the risk of not being able to pay benefits on the liabilities arising from insurance and investment contracts by reference to the type of benefits payable to contract holders. For each distinct legal entity, separate portfolios of assets are maintained. Asset-liability management is conducted in the context of Eureko's sensitivity to interest rate changes. Eureko assesses the sensitivity to interest rate risk and liquidity risk primarily for each individual entity.

The liabilities are mainly backed by fixed income securities and are basically matched in terms of duration and convexity. ALM calculations are performed subject to a RBCM framework that represents Eureko's risk appetite. The ALM framework consist of three parts:

1. Solvency Monitor: The risk of insolvency is monitored based on shocks to yield curves and equity price index/investment property index.

2. ALM interest rate sensitivity: The interest rate sensitivity of financial investments and (insurance) liabilities is monitored. Based on this assessment changes are proposed in the nature and structure of the fixed income portfolio backing the liabilities.

3. ALM Investment mix: Studies are carried out for the main insurance entities resulting in asset mixes that optimise the long-term risk and return profiles.

The modelling of the risks that are specific for Operating Companies, like claims development, are based on in-house experiences. Eureko retrieves the modelling of the risk that is not specific and the economic assumptions for the future years from market observable sources.

Duration analysis
In addition, Eureko uses duration analysis to estimate the degree of sensitivity to interest rate changes in its non-trading positions. Financial instruments, including derivatives, are used to manage the asset-liability within the ranges set by the Investment policies.

Forecasts and simulations of asset and liability cash flows are used to supplement duration analysis of non-trading activities and to identify interest rate sensitivity.

b. Major techniques used to mitigate identified risk
Eureko seeks to mitigate its risks firstly by optimising diversification of its business portfolio. For specific risks and risks that are not sufficiently reduced by diversification, mitigating techniques are used, such as restrictions on asset management set in terms of asset classes used, the nature of securities, credit-rating, geographical- and sector diversification and individual- and relative positions. Other operational policies include the requirement of collateral where possible, pooling of interest, co-insurance, etc.

Next to these business and operational techniques Eureko applies the following major techniques for mitigating risks.

Re-insurance
Where appropriate, Operating Companies enter into re-insurance contracts to limit exposure to underwriting losses. The purchase of re-insurance is governed by Eureko guidelines. The selection of re-insurance companies is based on criteria related to solvency and reliability and, to a lesser degree, Eureko's desire to spread the risk across counterparties. Eureko constantly and carefully follows the performance, financial results and the rating of re-insurance companies via rating agencies.

The type of re-insurance used within Eureko is mainly based on excess-of-loss type of re-insurance. Given the size of the risk exposures and the current re-insurance market, this type of re-insurance is seen as the most sustainable type of re-insurance to Eureko.

Eureko uses a multi-layered re-insurance structure, focusing on group-wide retention levels and aiming to reduce overall costs by leveraging on increased risk-carrying capacity and combined buying power. Eureko also focuses on the sustainability and continuity of re-insurance solutions and co-ordinates the use of re-insurance within RBCM.

Hedging
To achieve its (financial) risk management objectives, Eureko employs derivative financial instruments, amongst others interest rate swaps, futures, foreign currency contracts and options. Especially with respect to these risks Eureko enters into hedging transactions (and sometimes applies hedge accounting) to mitigate the market risks: interest rate risk, foreign currency risk and equity risk.

Interest rate hedging derivatives are designated and effective as hedges of benchmark interest rates for specified assets or groups of similar assets as well as liabilities or groups of similar liabilities, or anticipated transactions. Depending on the position being hedged, and where appropriate Eureko designates a hedge accounting relationship as either a fair value hedge or a cash flow hedge.

Eureko hedges all major non-base currency-denominated fixed-income investments supporting the operations into euros, using foreign exchange forward contracts and currency swaps, in order to mitigate the risk that the fair value of these investments fluctuates as a result of changes in foreign exchange rates. Equities and other financial instruments are partially hedged. Within some portfolios Eureko applies fair value hedge accounting with respect to the changes in specified foreign currencies.

For individual strategic investments Eureko assesses whether the risk to equity exposure is too high to be covered by Group equity. Based on this analysis Eureko enters into a derivative to mitigate the equity price risk and applies hedge accounting where appropriate.

4. Description of risk per business line: General

This section describes the identified risk in more detail. The section will present first the risk which is faced in general by Eureko; secondly the specific risk related to the insurance operations; and third the specific risk related to the banking operations including investment contracts and funding activities. The insurance risk existing within the investment contracts is not significant and therefore not presented separately. Interest rate risk is presented in the specific descriptions per business line.

Equity price risk

Decisions on Eureko's investments in equities are a result of Asset and Liability Studies or based on strategic reasons. The investments in equities as result of Assets and Liability Studies are presented as part of the investments. The investments in equities based on strategic reasons are presented as part of Investments in associated companies (participating interests). The portfolios of equity investments are diversified in such a manner that the equity risk is within the limits of Eureko's risk appetite.

For equity investments of a more strategic nature Eureko assesses on a case-by-case basis whether the equity price risk is to be mitigated. Depending on the characteristics Eureko applies hedge accounting.

In 2004 Eureko entered into a derivative financial instrument in order to limit the equity price risk of its additional investments in Friends Provident plc (acquired due to the divestment of F&C Asset Management). Eureko applied fair value hedge accounting. The derivative financial instrument expired in the fourth quarter of 2005. At the same moment Eureko derecognised the hedge accounting relationship. The fair value of the derivative was at 2004 year-end EUR –8.2 million.

Foreign currency risk

Eureko's policies on foreign currencies and hedging strategies leads to the acceptance of certain exposures to changes in foreign currencies. The consolidated exposures are as follows at year-end:

Notes to the Consolidated Financial Statements continued

	2005			2004		
	Total exposure	Notional amount of hedging instruments	**Net exposure**	Total exposure	Notional amount of hedging instruments	Net exposure
Assets						
US Dollar	1,880.6	2,107.9	**–227.3**	750.1	1,213.5	–463.4
Pound Sterling	832.3	505.2	**327.1**	592.5	533.3	59.2
Zloty	946.4		**946.4**	695.7		695.7
Other	588.6	656.7	**–68.1**	241.9	425.4	–183.5
	4,247.9	**3,269.8**	**978.1**	**2,280.2**	**2,172.2**	**108.0**
Liabilities						
US Dollar	202.3	582.9	**–380.6**	54.4	705.9	–651.5
Pound Sterling	51.1	412.1	**–361.0**	21.2	336.9	–315.7
Zloty						
Other	130.9	231.1	**–100.2**	73.7	231.7	–158.0
	384.3	**1,226.1**	**–841.8**	**149.3**	**1,274.5**	**–1,125.2**
Net position						
US Dollar	1,678.3	1,525.0	**153.3**	695.7	507.6	188.1
Pound Sterling	781.2	93.1	**688.1**	571.3	196.4	374.9
Zloty	946.4		**946.4**	695.7		695.7
Other	457.7	425.6	**32.1**	168.2	193.7	–25.5
	3,863.6	**2,043.7**	**1,819.9**	**2,130.9**	**897.7**	**1,233.2**

The net positions related to the Pound Sterling and Polish Zloty are related to the ‘Investment in associated companies’ of Eureko (F&C Asset Management and PZU respectively). The major foreign currency exposures with respect to fixed income securities are hedged. The foreign currency exposures within equity instruments and investment property are either partly hedged or fully hedged. In some cases Eureko applies hedge accounting.

The table below summarises the notional amounts of the Eureko’s derivative financial instruments, with details of the remaining periods to maturity and fair values. Foreign currency amounts are translated at rates ruling at the reporting date.

2005	Notional amount with remaining life of					
	Less than three months	Between three months and one year	More than one year	**Total**	Fair values Assets	Liabilities
Currency derivatives						
OTC–products:						
Forward exchange contracts	1,106.7	14.6	9.1	**1,130.4**	23.7	10.3
Currency/cross currency swaps	972.6	–67.7	19.6	**924.5**	0.7	17.7
Other foreign exchange contracts	–11.1			**–11.1**		
Total currency derivatives	**2,068.2**	**–53.1**	**28.7**	**2,043.8**	**24.4**	**28.0**

Eureko’s non-euro operations create sources of foreign currency risk: the operating results of subsidiaries outside the euro zone in the Consolidated Financial Statements (e.g. Interamerican Romania, Interamerican Bulgaria, Interlife Cyprus and Union) are translated at the average exchange rates prevailing during the period; and the equity investments in foreign associates (e.g. Friends Provident, F&C Asset Management and PZU) are translated into euros using the foreign currency exchange rate at the reporting date. The results of non-euro associates are translated at the weighted average of exchange rates for the year. For each investment in a foreign associate Eureko assesses the needs for applying hedges to mitigate the risk to changes in foreign currencies.

Credit risk

In general Eureko faces credit risk within the operations. This is the risk that counterparties to financial instruments (including receivables) might default on their obligations. To manage the level of credit risk, Eureko deals with counterparties of good credit standing, enters into master netting agreements whenever possible, and when appropriate, obtains collateral.

Eureko monitors its concentrations of credit risk on an ongoing basis. The following table provides a breakdown of carrying amount of its financial instruments by sector:

	Financial investments		Banking credit portfolio		Other receivables	
2005	Amount	%	Amount	%	Amount	%
Financial institution	12,127.8	34.5%	987.5	6.0%	1,146.0	37.9%
Trade and industry	3,363.6	9.6%	444.4	2.7%	90.0	3.0%
Service companies	2,673.6	7.6%			163.2	5.4%
Government	11,941.4	34.0%			282.1	9.3%
Private sector	5,002.3	14.3%	15,026.9	91.3%	1,342.0	44.4%
	35,108.7	**100.0%**	**16,458.8**	**100.0%**	**3,023.3**	**100.0%**

	Financial investments		Banking credit portfolio		Other receivables	
2004	Amount	%	Amount	%	Amount	%
Financial institution	5,895.9	28.2%	683.1	4.0%	784.6	39.6%
Trade and industry	1,767.1	8.5%	407.9	2.4%	75.0	3.8%
Service companies	147.2	0.7%			144.0	7.3%
Government	11,119.1	53.2%	30.1	0.2%	235.1	11.8%
Private sector	1,960.8	9.4%	15,820.6	93.4%	744.6	37.5%
	20,890.1	100.0%	16,941.7	100.0%	1,983.3	100.0%

Operational risk

Operational risks are closely monitored by the Group Risk Management Committee. Management implemented a solid wide ranging information system on fraud.

The rapid developments in the business environment require large efforts of the IT organisation. Much attention is given to the continuing improvement of project management and control of the IT organisation. Parts of the IT hardware are managed by third parties. Eureko monitors the performance of those parties closely, based on contractual agreements.

Parts of the daily management of the investment portfolio are executed by third parties, based on contractual agreements and mandates set by Eureko. A monthly reporting procedure is part of the terms.

The last few years, and especially in 2005, important changes in legislation have been enacted by the Dutch government. The changes mainly relate to the national health and occupational health systems. Given the large impact and the short implementation time frames, Eureko set up multi-disciplined project teams led by the Executive Board and senior management to ensure successful and timely implementation.

Interest rate risk within insurance operations

Eureko faces interest rate risk within the insurance operations. This risk relates to interest sensitivity on the financial investments backing the insurance liabilities and some insurance liabilities measured at fair value and the passing of time effects within the insurance liabilities.

Notes to the Consolidated Financial Statements continued

The following table presents the various interest sensitive financial instruments which are held to cover the insurance liabilities to policyholders for which Eureko bears the risks. The carrying amounts of these financial instruments are presented in the periods in which they either re-price to market rates or mature. Items are allocated to time bands by reference to the earlier of the next contractual interest rate re-pricing date and the expected maturity date.

		2005		2004	
		Amount	**%**	Amount	%
Floating rate instruments		21.6	0.1%	158.1	0.8%
Fixed rate instruments	Less than one year	2,648.1	8.7%	3,455.1	18.1%
	One to five years	6,729.2	22.3%	4,121.2	21.5%
	More than five years	20,804.8	68.9%	11,403.8	59.6%
Total interest sensitive financial		**30,203.7**	**100.0%**	**19,138.2**	**100.0%**
Average effective interest rate			3.90%		4.30%

As shown above the majority of the interest sensitive financial instruments have an expected duration of more than five years. By means of ALM-techniques Eureko seeks to optimise the durations of the financial instruments and the insurance liabilities (vested rights). The resulting mismatch is within the boundaries set by the Executive Board.

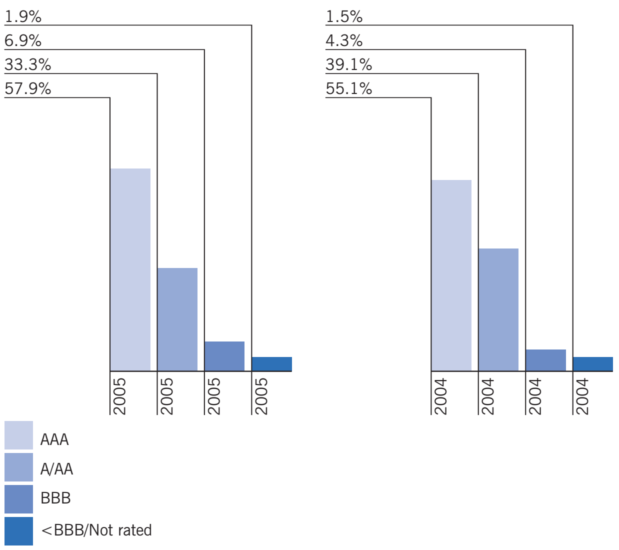
Duration (yrs)	Financial instruments	Insurance liabilities	Matching durations (1)
Life	8.5	8.8	9.4
Non-Life/Health	5.0	3.9	3.7
Total	7.8	7.9	8.2

1 The matching duration is that duration that would eliminate any duration mismatch between the financial instruments and the related insurance liabilities (Value of insurance contracts times duration = Value of financial instruments times matching duration).

In 2005 Eureko has entered into a number of long-term interest rate derivative contracts for its Achmea Pensions and Life business. These derivatives are used as a supplement to the conventional fixed income investments to improve the match with the insurance liabilities. Total value of the interest rate derivative position is EUR 195 million (notional amount of EUR 6 billion). The remaining maturity is more than five years.

Credit risk within insurance operations

Within the portfolios of fixed income securities backing insurance liabilities Eureko is faced with credit risk. This credit risk is managed by diversification in the portfolio of fixed income securities with risk limits in terms of exposure and credit rating. The graph following represents the fixed income securities grouped by nature of credit rating:



The insurance products are sold throughout Eureko. The insurance in general is sold within the geographic area in which the Operating Company operates. The following tables provide a breakdown by geography of the insurance liabilities.

	2005			2004		
	Life	Non-Life	Health	Life	Non Life	Health
Benelux	22,417.4	3,463.4	3,070.1	12,795.1	2,123.3	1,833.6
Greece	824.4	204.0	17.0	766.3	180.3	17.0
Ireland	2,593.0	21.6		2,450.6	23.2	
Other	512.1	45.1	0.2	414.7	30.8	
	26,346.9	**3,734.1**	**3,087.3**	**16,426.7**	**2,357.6**	**1,850.6**

Foreign currency risk within insurance operations
In some cases Eureko faces some foreign currency risk with respect to the insurance liabilities. The foreign currency risk is normally mitigated by means of having the backing financial instruments in the similar foreign currency or by means of hedging the foreign currency risk.

The insurance liabilities amounted to EUR 33,168.1 million as at 31 December 2005 and EUR 20,629.1 million as at 31 December 2004. Some of these insurance liabilities are denominated in foreign currency. The following table provides a breakdown of carrying amounts of these insurance liabilities denominated in euros:

	2005	2004
US Dollar	**79.0**	18.3
Pounds Sterling	**20.3**	20.3
Other	**79.1**	84.7
	178.4	**123.3**

Risk of losses due to terrorism
The guarantee fund Netherlands Re-insurance Company for Losses from Terrorism (NHT) includes all the claims on Dutch policies caused by terrorist attack. Every insurance company pays an amount of premium to NHT and every company must hold a certain amount to cover their own risk (or their own retention).

5. Description of risk per business line: Life insurance
Eureko has a full range of life insurance products, covering both the short-term mortality risk and the longevity risk, and where either the interest rate is guaranteed by Eureko or the interest rate is carried by the policyholder. In individual insurance, several traditional savings products with guaranteed interest returns are offered such as endowments and whole life policies. Policies with the purpose of only insuring the death risk are sold under term insurance. Mortgages can be related to traditional savings or unit-linked policies. In The Netherlands, policies are sold with the guaranteed interest equal to the interest that is paid for the mortgage.

Notes to the Consolidated Financial Statements continued

In Group Life insurance, a distinction has been made between managed funds (where the market risk is carried by the policyholder) and insured contracts. The managed funds are also available in a form in which the terms for transfer to the general portfolio are guaranteed. The Life insurance can be split into the following categories:

	2005		2004	
	Amount	**%**	Amount	%
Individual				
Traditional savings (mortgage)	2,202.1	5.2%	494.9	2.2%
Whole life/funeral expense insurance	208.5	0.5%	196.7	0.9%
Traditional savings (other)	7,442.3	17.7%	3,181.0	14.0%
Pension savings (traditional)	2,132.8	5.1%	1,572.3	6.9%
Unit linked	10,331.6	24.6%	4,224.2	18.7%
Risk (including riders)	465.0	1.1%	286.6	1.3%
Annuities	4,394.8	10.5%	1,497.4	6.6%
Total Individual	**27,177.1**	**64.7%**	**11,453.1**	**50.6%**
Group (employer sponsored)				
Traditional insured pension fund	8,290.8	19.7%	7,863.1	34.7%
Managed pension fund (GBD)	4,434.5	10.5%	1,748.0	7.7%
Annuities	328.5	0.8%	400.0	1.8%
Risk	129.0	0.3%	65.0	0.3%
Total Group	**13,182.8**	**31.3%**	**10,076.1**	**44.5%**
Profit sharing, bonuses and rebates	1,673.7	4.0%	1,113.2	4.9%
Total	**42,033.6**	**100.0%**	**22,642.4**	**100.0%**

Life insurance risk

The insured risk within Life insurance contracts is either death, survival or both. The main concentration of insurance risk in Life insurance follows from undue unbalance between the risk of death and the survival risk. Remaining Life insurance risk is managed by Eureko's underwriting and re-insurance policy.

The underwriting strategy is intended to ensure that the risks underwritten are well diversified in terms of risk and the level of insured benefits. By offering different products, the death and survival risk are balanced across the portfolio. As far as allowed, medical selection is included in Eureko's underwriting procedures with premiums varied to reflect the health condition and family history of the applicants.

The following table shows a breakdown of risk by product type:

Product type	Longevity risk	Mortality risk	Market risk
Saving mortgages	–	✓	✓
Other savings	–	✓	✓
Deferred pensions	✓	✓	✓
Term insurance	–	✓	–
Immediate annuities	✓	–	–
Unit linked	–	✓	–
Group pension	✓	✓	✓
Group pension managed fund	✓	✓	✓/–

In Dutch Life business (Individual and Group) calculations are carried out to test the adequacy of the insurance liabilities taking into account longevity. The calculations are based on mortality tables derived from industry statistics and prudent assumptions for improvement in the future. If necessary the premiums at renewal can be raised when developments are worse than assumed. The tariffs of new products will then be adapted accordingly.

As part of the regular insurance business Eureko is also exposed to risks regarding, mainly, lapse and cost. These items are also included in the liability adequacy tests.

In traditional life insurance, premiums are agreed at the start of the contract and cannot normally be changed thereafter. In the individual contracts written by Achmea there is an 'en bloc'-clause allowing the insurer to increase premiums in the last resort. Otherwise there are no mitigating terms and conditions that can reduce the mortality risk. In Group Life insurance mitigation is achieved by setting premium bases for each scheme only for a fixed term, in general five years, and further by the possibility of reducing profit sharing.

Unit-linked insurances written in The Netherlands generally charge for mortality and longevity risk by monthly risk premiums paid for from an account balance. These contracts generally give the insurer the right to change the basis on which these premiums are calculated and therefore allow the insurer to react to adverse changes.

Irish business is mainly with-profit fund in which profits made by the business are distributed to policyholders (and shareholder) as reversionary or terminal bonuses. Within the margins of meeting reasonable expectations of policyholders there is discretion to mitigate risk by varying profit distributions.

Disability insurance is possible as an additional cover. In the underwriting (including medical) policy restrictions and limits are in force to ensure that no selection against the insurer is possible. Claims are reserved based on generally accepted actuarial principles, taking into account recovery rates. For the Greek business these policies are being converted into a more flexible form allowing Eureko to vary terms and conditions when circumstances require.

Re-insurance is on a risk capital per policy base in an excess of loss arrangement. The retention limit depends on the size and risk of the portfolio of the Operating Company. The re-insurance policy is evaluated each year. Within Ireland 85% of the longevity risk on immediate annuity portfolios is re-insured.

Guarantees, participation feature and investment returns
In various countries Eureko sells products that contain minimum guaranties and profit-sharing which can be seen as options embedded in insurance contracts. For these products the regular insurance liabilities are recognised under the Balance Sheet disclosure note Insurance liabilities.

For Dutch non-linked business, profit sharing is determined annually and, when applicable, is based on the difference between the 10-year rolling average of the U-yield on Government fixed interest investments, less a margin for the cost of capital, and the premium rate assumption (3%, or for older business 4%). For a smaller part of the portfolio profit sharing is based on actual investment performance. Some managed funds have profit sharing on the technical results. The total value of the related insurance liabilities is EUR 13.1 billion.

Irish with-profit business is based on the 'United Kingdom-model', where discretionary regular and terminal bonuses are given that depends on the returns on the Participating Fund. There is a minimum return of 0% (for insurance business sold more than five years ago higher rates were applied – up to 4%). These bonuses are set using asset share techniques and take account of profits on mortality and expenses. The total value of the related insurance liabilities is EUR 2.2 billion.

Notes to the Consolidated Financial Statements continued

Profit-sharing on Greek with-profit business is 90% of the excess investment return above the guaranteed rate, after deduction of a margin of 1.25%, and is then adjusted further for tax. The total value of the related insurance liabilities is EUR 0.7 billion.

Profit-sharing in France is the excess over the guaranteed rate of 85% of the achieved investment return less 0.9% although more can be paid in practice. The total value of the related insurance liabilities is EUR 0.3 billion.

Profit-sharing in Slovakia is 85% of the excess over the guaranteed rate of the achieved net of tax investment return.

The surrender value basis is generally fixed, at least in the short term (except in Ireland where a more dynamic approach is used). Insurance liabilities are set assuming no surrenders take place. This is in general a prudent assumption as the surrender value will be less than the insurance liabilities. Liability adequacy tests include an assumption as to the likely surrender rates.

6. Description of risk per business line: Non-Life insurance

In Non-Life insurance Eureko covers the usual insurance risks like fire, hail, storm, accident etc. The target classes for the direct and indirect Commercial Lines portfolio are mid-sized industrial and commercial risks with a normal maximum line size of EUR 40 million on an expected maximum loss basis. Most of the products are settled within a short period. Only the ‘Motor liability’, ‘General liability’ and some special insurance (see disclosure note Balance Sheet Insurance liabilities) can have a long-term settlement. Eureko does not underwrite heavy industrial risks such as airports and power stations etc.

The following table provides a breakdown of carrying amounts by sector of Non-Life insurance liabilities:

	2005		2004	
	Amount	**%**	Amount	%
Accident	132.1	3.5%	119.9	5.1%
Motor liability	1,810.9	48.5%	1,250.4	53.0%
Motor other	379.7	10.2%	189.5	8.0%
Transport/aviation	97.3	2.6%	95.4	4.0%
Property	618.8	16.6%	284.5	12.1%
General liability	522.2	14.0%	331.5	14.1%
Other	173.1	4.6%	86.2	3.7%
	3,734.1	**100.0%**	**2,357.4**	**100.0%**

Non-Life insurance risk

The main concentrations of risk within Non-Life insurance result from natural disasters, especially weather-related events like heavy windstorm and hail and major fires as well as large general and motor liability related claims.

Outstanding claim reserves with respect to prior year losses in lines of business with long claim development patterns are exposed to claims inflation. These risks are closely monitored on a periodic basis using actuarial liability adequacy tests as well as ALM studies.

For Non-Life insurance the liabilities includes non-statistical prudence margins above best estimates. The non-statistical prudence margin covers the upward changes of known events with an uncertain effect, like changes in legislation and extreme inflation. The levels of these required margins are reviewed at least annually.

Business lines ‘Property’ and ‘Motor hull insurance’ in The Netherlands are exposed to windstorm risk and/or hail risk. Some Operating Companies outside The Netherlands are also exposed to the risk of earthquakes. The exposure to natural disasters is limited by the use of catastrophe excess-of-loss re-insurance.

For The Netherlands the re-insurance cover for storm is on a once every 250 years-basis. For Operating Companies faced with earthquake risk, Eureko has re-insured the risk on a once every 500 years-basis. The retention levels of the catastrophe re-insurance are selected based on results from different commonly used meteorological models (like ‘Eqecat’) that estimate the loss distribution due to natural disasters. The input of those models consist of amounts of Probable Maximum Loss and Sums Insured to determine the size of the risks and postal codes to determine the geographical distribution of the risks.

The table below quantifies the concentration risk that Eureko is exposed to in certain lines of business. The figures in the table are based on two kinds of models. The derived loss probabilities resulting from natural disasters are based on external meteorological models. The derived loss probabilities from large claims are based on stochastic models. These models provide an estimation of the magnitude of losses that may occur with different levels of confidence. The results from the stochastic models are not factual and do not predict any future events. Actual loss experience can differ significantly.

Insured risks within business lines 'Property' and 'Motor other' are generally correlated through the occurrence of windstorm and hail events. Insured risks with long claim development patterns are generally correlated since these are to a large extent exposed to future claim inflation and changes in legislation to a large extent. This is mainly the case for insured risks within business lines 'General liability' and 'Motor liability'.

		Motor other	Property residential/ industrial	Property greenhouses	**Total**
Gross	**Results from meteorological models**				
Losses	Windstorm occurs 1–in–50 years	8.0	423.7	53.0	**484.7**
in 2005	Hail event occurs 1–in–50 years	44.6		33.7	**78.3**
	Historical windstorm and hail events in The Netherlands				
	Impact of heavy windstorm in 1990 (Daria)	7.2	317.5	62.3	**387.0**
	Impact of heavy hail event in 1998	45.0		15.2	**60.2**
	Historical large fires and explosions				
	Largest fire over past 10 years		29.9	9.2	**39.1**
	Enschede fireworks explosion	2.1	60.1		**62.2**
Re-insurance	**Results from meteorological models**				
cover	Windstorm that occurs 1-in-50 years	5.5	348.7	33.0	**387.2**
in 2005	Hail event that occurs 1-in-50 years	32.1		13.7	**45.8**
	Historical windstorm and hail events in The Netherlands				
	Impact of heavy windstorm in 1990 (Daria)	4.7	242.5	42.3	**289.5**
	Impact of heavy hail event in 1998	32.5		0.2	**32.7**
	Historical large fires and explosions				
	Largest fire over past 10 years		23.6	3.5	**27.1**
	Enschede fireworks explosion		9.7		**9.7**
Net losses	**Results from meteorological models**				
in 2005	Windstorm that occurs 1-in-50 years	2.5	75.0	20.0	**97.5**
	Hail event that occurs 1-in-50 years	12.5		20.0	**32.5**
	Historical windstorm and hail events in The Netherlands				
	Impact of heavy windstorm in 1990 (Daria)	2.5	75.0	20.0	**97.5**
	Impact of heavy hail event in 1998	12.5		15.0	**27.5**
	Historical large fires and explosions				
	Largest fire over past 10 years		6.3	5.7	**12.0**
	Enschede fireworks explosion	2.1	50.4		**52.5**

Eureko only mitigates risk exposures by pure re-insurance contracts, not through catastrophe bonds or alternative risk transfers.

The retention levels for each Non-Life insurance are based on loss probabilities resulting from stochastic/meteorological models that calculate the Risk Based Capital as well as underwriting limits. The predominant use of re-insurance is to manage exposure to weather-related events, natural disasters, events involving multiple victims, major fires and general and motor liability. Re-insurance has significant bottom-line effects which are driven by the type of re-insurance chosen, the retention and limits agreed and established.

Each Operating Company is responsible for re-insurance decisions, optimising their practice on the basis of their capacity and risk preference, but within the Eureko's guidelines.

Notes to the Consolidated Financial Statements continued

Exposures to large claims are limited by the use of Per Risk excess-of-loss re-insurance. The retention levels for each business line are based on underwriting limits of each business line and loss probabilities resulting from stochastic models where both the frequency and the size of large claims are modelled based on historical observations of the past years.

Eureko's strategy is to keep the number of risks re-insured on facultative basis limited. The total number of facultative risks is around 240 for property, 40 for casualty and 80 for disability.

Guarantees, participation feature and investment returns
None of the Non-Life contracts include participation feature or crediting investment return to policyholders.

7. Description of risk per business line: Health insurance

Eureko covers two classes of Health Insurance product, the Private health products and the products for Employer and workman's compensation (known in Ireland as PHI).

The Private health products cover the risk of expenses for health care services. For 2005 in The Netherlands Eureko sold company policies for private insured (which cover nearly all health care services) and supplementary policies for both the private and public insured.

The Employer and workman's compensation products cover the risk of a fall in income resulting from inability to work when sick or disabled.

The following table provides a breakdown of carrying amounts by sector of Health insurance liabilities:

	2005		2004	
	Amount	%	Amount	%
Private Health	990.0	32.1%	800.7	43.4%
Employer and workman's compensation	2,097.1	67.9%	1,044.6	56.6%
	3,087.1	**100.0%**	**1,845.3**	**100.0%**

Health insurance risk
Within health insurance products there is a small probability of a large claim when extreme events like fires, explosions involving toxic substances or epidemics occur in a region where Eureko has a lot of insured. For these cases Eureko expects the solvency to be sufficient.

The insurance liabilities related to health insurance are sensitive to changes in legislation, changes in medical cost levels, the level of sickness leave, the frequency and extent to which people are considered to be disabled, the rate of recoveries from disability and the level of minimum and actual interest rates.

To mitigate these risks a significant part of the portfolio has a contract term for one year. For most of the contracts with a term longer than one year the premium can be adjusted through using a clause within the policy conditions. The possibility of high claims per risk event is for employer and workman's compensation mitigated by maximising the income insured and, in some cases, the use of catastrophe re-insurance.

Guarantees, participation feature and investment returns
Most of the Employer and workman's compensation contracts (Occupational Health Insurance) within The Netherlands do not include participation features or crediting of investment return to policyholders. The premium is based on a forecasted return on investment of 3% to the policyholder. However, two Occupational Health Insurance contracts with 10% of the carrying amounts within The Netherlands have the possibility of crediting investment return, when it exceeds a certain amount. Less than 15% of the carrying amount Occupational Health Insurance within The Netherlands includes profit sharing on technical profits.

In Ireland the PHI contracts guarantee the premium rates for the duration of the contract in the case of individual business and for a limited period in the case of Group contracts.

For health care insurance products in The Netherlands guarantees, participation features and crediting investment returns to the insured do not exist, mainly due to legislation concerning the Health Insurance products. For a significant part of the contracts the premium is guaranteed for the duration of the contract.

8. Description of risk per business line: Banking operations (including investment contracts and funding activities)

This section describes the major financial risk Eureko is exposed to within the Banking operations and activities related to investment contracts (contracts without significant insurance risk) and funding activities for Eureko. The major risks are interest rate risk, credit risk and liquidity risk.

Interest rate risk

Eureko's banking operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets (including investments) and interest-bearing liabilities mature or re-price at different times or in different amount, which implies differences in interest rate sensitivity. In the case of floating rate assets and liabilities Eureko is also exposed to basis risk, which is the difference in re-pricing characteristics of various floating rate indices, such as the savings rate and six month LIBOR and different type of interest.

Part of Eureko's return on financial instruments is obtained from managing a maturity mismatch. The table below summarises re-pricing mismatches on the Eureko's non-trading book at the reporting date. The carrying amount of interest-rate sensitive assets and financial liabilities and the notional amounts of swaps and other derivative financial instruments are presented in the periods in which they next reprice to market rates or mature, and are summed to show the interest rate sensitivity gap.

Items are allocated to time bands by reference to the earlier of the next contractual interest rate re-pricing date and the expected maturity date. The re-pricing date of certain assets and liabilities has been corrected for anticipated early pre-payments of the contractual obligations.

2005			Fixed rate instruments						
	Effective interest rate	Floating rate instruments	One year or less	More than one year less than two years	More than two years less than three years	More than three years less than four years	More than four years less than five years	More than five years	**Total**
Financial assets									
Bonds	5.0%	17.6	30.9	44.8	72.0	22.5	5.1	41.9	**234.8**
Loans	3.7%		1,164.2	313.5	541.6	50.0	6.8	125.1	**2,201.2**
Mortgages	3.8%		233.2	25.5	28.8	20.5	46.9	76.0	**430.9**
Deposits	2.7%		451.5						**451.5**
Banking credit portfolio	4.7%	3,428.6	1,974.6	1,521.9	1,579.7	1,510.2	1,054.5	5,389.3	**16,458.8**
Total assets		**3,446.2**	**3,854.4**	**1,905.7**	**2,222.1**	**1,603.2**	**1,113.3**	**5,632.3**	**19,777.2**
Financial liabilities									
Banking customer accounts	4.2%	1,761.9	415.9	508.5	851.4	173.8	68.4	493.0	**4,272.9**
Loans and borrowings									
Secured bank loans	3.3%	4,886.9	681.6	514.7	313.0	358.7	810.1	620.4	**8,185.4**
Unsecured bank issues	4.8%	145.5	183.2	6.3	536.9	21.0	11.6	386.0	**1,290.5**
Others	4.2%	964.0	1,326.5	240.9	131.3	77.1	27.3	697.3	**3,464.4**
Total liabilities		**7,758.3**	**2,607.2**	**1,270.4**	**1,832.6**	**630.6**	**917.4**	**2,196.7**	**17,213.2**
Asset-liability gap		**–4,312.1**	**1,247.2**	**635.3**	**389.5**	**972.6**	**195.9**	**3,435.6**	**2,564.0**
Derivatives effecting interest rate sensitivity for financial instruments									
Interest rate swaps		2,651.4	1,090.2	–486.1	–25.7	–1,268.1	–177.5	–2,319.2	**–535.0**
Interest rate forwards		–139.1	18.5	–35.7				–45.0	**–201.3**
Interest rate options		118.0	33.3		–11.0	–8.1	–10.9	–186.0	**–64.7**
Total derivatives effecting interest rate sensitivity for financial instruments		**2,630.3**	**1,142.0**	**–521.8**	**–36.7**	**–1,276.2**	**–188.4**	**–2,550.2**	**–801.0**
Interest rate risk gap		**–1,681.8**	**2,389.2**	**113.5**	**352.8**	**–303.6**	**7.5**	**885.4**	**1,763.0**

Notes to the Consolidated Financial Statements continued

As shown the asset-liability gap is partly covered by the use of derivative financial instruments which affect the interest rate sensitivity (within the boundaries set). Eureko recognises the following interest rate derivatives on its Balance Sheet for its financial instruments related to the Banking operations (including investment contracts and funding activities).

2005	Notional amount with remaining life of					
	Less than three months	Between three month and one year	More than one year	Total	Fair values Assets	Liabilities
Derivatives accounted for as fair value hedges of interest rate risk						
OTC–products:						
Forward rate agreements	500.0	200.0		**700.0**	0.6	1.2
Interest rate swaps	1,459.1	3,527.9	–3,106.0	**1,881.0**	378.5	597.7
Interest rate options			26.1	**26.1**	0.5	0.1
Other interest rate contracts	498.3			**498.3**		
Total derivatives used for hedging	**2,457.4**	**3,727.9**	**–3,079.9**	**3,105.4**	**379.6**	**599.0**

Credit Risk
Eureko's credit risk with respect to Banking operations is concentrated in its mortgage lending activities and is managed by applying strict credit assessment criteria set by the Executive Board. Any non-standard conditions imposed on borrowers also require the approval of the Credit Committee within the Banking operations. Procedures have also been laid down for monitoring interest and re-payment arrears.

If a borrower fails to make re-payment for longer than three months, the file will be handed over to the Non-Performing Loans department, which will continue the debt collection procedures. Impairment provisions are provided for losses that have been incurred at the balance sheet date.

Eureko reviews its mortgage loan portfolio to assess impairment on a regular basis. In determining whether an impairment loss should be recorded in the Income Statement, Eureko makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans but which cannot yet be allocated to an individual loan in that portfolio.

This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a certain group, or economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for 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.

For outstanding debts Eureko uses a similar model as described above. In considering whether the amounts presented in the Balance Sheet needs an adjustment for credit risk depends also on provisions within any related insurance liabilities or other financial liabilities with a similar counterparty.

Eureko is actively pursuing a policy of enhancing the risk profile of the Banking Credit Portfolio by improving risk assessment and by securitisation of existing credit portfolios.

Liquidity risk
Eureko's banking subsidiaries have access to a diverse funding base. Funds are raised using a broad range of instruments including deposits, other liabilities evidenced by paper, subordinated liabilities and share capital. This enhances funding flexibility, limits dependence on any one source of funds and generally lowers the cost of funds. Eureko strives to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturities. Eureko continually assesses liquidity risk by identifying and monitoring changes in funding required to meet business goals and targets set in terms of the overall strategy of Eureko.

The table opposite analyses Eureko's assets and liabilities related to the Banking operations into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date.

	2005					2004				
	Less than three months	Between three months and one year	Between one and five years	More than five years	**Total**	Less than three months	Between three months and one year	Between one and five years	More than five years	**Total**
Financial assets										
Equities and similar investments	1.0			16.2	**17.2**	0.9				**0.9**
Bonds	17.8	27.2	132.3	38.2	**215.5**		2.9	161.8	37.9	**202.6**
Loans	239.0	296.8	1,186.0	1,429.4	**3,151.2**	88.5	158.9	882.2	1,938.2	**3,067.8**
Deposits with credit institutions	476.1				**476.1**	1,418.9				**1,418.9**
Derivatives	28.1	5.6	52.8	16.5	**103.0**	109.5	4.4	63.4	14.3	**191.6**
Banking credit portfolio	2,993.2	1,989.5	4,064.0	7,412.1	**16,458.8**	2,394.5	2,332.7	4,923.4	7,291.1	**16,941.7**
Investments backing linked liabilities	461.0	84.2	309.6	2,205.3	**3,060.1**	127.4	53.2	220.7	1,439.5	**1,840.8**
Cash and cash equivalents	106.4				**106.4**	95.5				**95.5**
	4,322.6	**2,403.3**	**5,744.7**	**11,117.7**	**23,588.3**	**4,235.2**	**2,552.1**	**6,251.5**	**10,721.0**	**23,759.8**
Financial liabilities										
Investment contracts	2,510.1	103.9	202.3	243.9	**3,060.2**	1,509.9	62.5	121.7	171.8	**1,865.9**
Banking customer accounts	1,144.5	660.1	1,409.3	1,876.6	**5,090.5**	1,804.4	534.4	1,495.5	2,198.3	**6,032.6**
Secured bank loans		981.9	2,879.6	4,305.3	**8,166.8**	6.8	1,178.4	2,514.6	4,071.5	**7,771.3**
Unsecured bank issues	224.4	92.3	542.7	272.7	**1,132.1**	123.0	60.0	643.3	89.3	**915.6**
Derivatives	27.9	2.7	18.2	6.9	**55.7**	109.9	3.4	22.0	40.9	**176.2**
Other loans and borrowings	1,622.9	96.8	216.1	94.8	**2,030.6**	1,740.7	232.4	240.8	48.9	**2,262.8**
	5,529.8	**1,937.7**	**5,268.2**	**6,800.2**	**19,535.9**	**5,294.7**	**2,071.1**	**5,037.9**	**6,620.7**	**19,024.4**
Liquidity gap	**–1,207.2**	**465.6**	**476.5**	**4,317.5**	**4,052.4**	**–1,059.5**	**481.0**	**1,213.6**	**4,100.3**	**4,735.4**

Notes to the Consolidated Financial Statements continued

54 Subsequent events

Business Combination Achmea Health – Zilveren Kruis Achmea/Groene Land PWZ Achmea/OZB Health insurance N.V.

As of 1 January 2006 Eureko effectively obtained control over 100% of the shares of Zilveren Kruis Achmea Zorgverzekeringen N.V., Groene Land PWZ Achmea Zorgverzekeringen N.V. and OZB Zorgverzekeringen N.V.

Details of net assets acquired and badwill are as follows:

Cost of the Business Combination Achmea Health – Zilveren Kruis Achmea/Groene Land PWZ Achmea/OZB Health insurance N.V	
Total provisional cost of the business combination Achmea Health – Zilveren Kruis Achmea/Groene Land PWZ Achmea/OZB Health insurance N.V	–96.3
Provisional fair value of the net assets acquired	199.0
Provisional calculated badwill	**102.7**

The arrangements concerning the cost of the business combinations are still subject to change, the total cost were established provisionally at EUR 96.3 million. The major payment will be made in shares of Eureko. The cost of the business combination can be adjusted due to changes in the ending balances within the acquired companies at 31 December 2005.

The carrying amounts of the assets and liabilities acquired are:

	Acquiree's carrying amount 1 Jan 2006	Fair value 1 Jan 2006
Assets		
Investments	347.0	347.0
Other assets	1,072.0	1,072.0
Total assets	**1,419.0**	**1,419.0**
Equity	208.0	199.0
Liabilities		
Insurance liabilities	881.0	881.0
Other liabilities	330.0	339.0
Total liabilities	**1,211.0**	**1,220.0**
Total liabilities and Equity	**1,419.0**	**1,419.0**

Re-purchase Interamerican Cards

In January 2006 an agreement has been reached between Interamerican Hellenic Life Insurance Company S.A. and Demco Investments and Commercial S.A. (a company controlled by one of Eureko's shareholders Mr Contominas) about the re-purchase of 70% of the shares of Interamerican Cards Financial Service Systems S.A. (currently named Bestline Cards S.A.). The agreed purchase price amounts to EUR 9.2 million and has been determined on at arm's-length basis. The transaction is expected to be formalised in the first quarter of 2006.

Acquisition of call options on Interlife Cyprus

At the beginning of 2006, Mr Contominas (one of Eureko's shareholders) acquired the shares of Interlife Cyprus that were held by competitors of that company. At the same time Eureko was granted a call option on these shares.

Acquisition of further PZU shares

On 20 January 2006, Eureko signed an agreement with Manchester Securities Corporation to purchase a further 4.33% of the share capital in PZU for a total consideration of PLN 1.16 billion increased with an amount based on the dividend PZU will distribute to shareholders with respect to the fiscal year 2005. The purchase of the first tranche of 1.2% was completed on 25 January 2006. The purchase of the second tranche of 3.13% will be completed following approval from the Polish Insurance and Pension Fund Commission. On completion of the transaction, Eureko's shareholding in PZU will be 36.1%, with the binding agreement to acquire a further 21% at PZU's flotation still in place.

Court hearing on conflict between Eureko and the Polish State about PZU

A court hearing before a commercial court in Warsaw, initiated by Eureko in September 2005, to try to reach an amicable solution to the conflict between Eureko and the State Treasury, was scheduled. On the date, the Polish State submitted no proposals, citing the resignation of the Minister of State Treasury as the reason for being unable to do so. The judge directed the Polish State to submit a proposal for a settlement by 1 February 2006. On the due date (1 February 2006), the Minister of State Treasury submitted its pleading to the Court, in which it declared its refusal to compromise with Eureko and did not submit any proposals itself to end the conflict. The proceedings in the second part of the arbitration will resume (the award of damages). An initial calculation shows that the amount claimed will be a minimum of EUR 1.5 billion.

At the same time, Eureko has not altered its demands for PZU to go to an IPO and for Eureko to acquire a further 21% of PZU shares. Under the proposals from Eureko, and in line with the government's failure to hold the IPO of PZU – as contained in the Privatisation Agreement – these shares would be acquired at the 2001 value, as opposed to current market value (which is stipulated in the First Addendum from the Ministry of State Treasury). Eureko's proposals are also contingent on a PZU IPO being held in the short term.

Transfer of Akzo Nobel pension services

In January 2006, the association Pension Fund Akzo Nobel and Eureko reached an agreement in principle on the transfer of the pension services and the related asset management activities. The transfer is planned to take place on 1 September 2006.

Company Financial Statements

Company Balance Sheet

(before appropriation of results)

EUR million	Notes	31 December 2005	31 December 2004
Assets			
Intangible assets	2	2,313.3	273.0
Financial investments	3		
Subsidiary companies		5,761.2	2,293.3
Associated companies		1,124.9	692.2
Participating interests		482.1	280.1
Other investments	4	25.7	28.4
Deferred tax assets			4.3
Income tax receivable		38.0	6.9
Receivables	5	304.9	1,389.1
Other assets	6	0.6	0.6
Cash and cash equivalents	7	33.8	116.9
Total assets		10,084.5	**5,084.8**
Share capital		341.6	232.7
Share premium		9,749.9	6,409.6
Own shares		–126.8	–766.0
Legal reserves		1,041.9	771.4
Revaluation reserve		752.1	418.3
Retained earnings		–4,513.9	–4,847.7
Net foreign exchange difference		75.1	–39.7
Result for the year		705.9	1,022.5
Shareholders' equity	8	8,025.8	**3,201.1**
Other equity instruments		496.3	
Equity		8,522.1	**3,201.1**
Liabilities			
Shares subject to re-purchase agreements			790.0
Provisions	9	37.6	29.9
Loans and borrowings	10	209.3	212.0
Deferred tax liabilities	11	230.9	
Other liabilities	12	1,084.6	851.8
		1,562.4	**1,883.7**
Total liabilities and Equity		10,084.5	**5,084.8**

Company Income Statement

EUR million	Notes	2005	2004
Income			
Financial Investments	13		
Subsidiary companies		**464.9**	957.3
Associated companies		**240.1**	143.9
Participating interests		**13.8**	4.4
Other results	14	**–28.1**	–103.7
Profit before tax		**690.7**	**1,001.9**
Income tax expenses	15	**–15.2**	–20.6
Net profit		**705.9**	**1,022.5**

Company Statement of Changes in Equity

EUR million	Share capital	Share premium	Own shares	Legal reserves	Revaluation reserve	Retained earnings	Net foreign exchange difference	Profit for the year	**Shareholders' equity**	Other equity instruments	**Equity**
Balance at 1 January 2005	232.7	6,409.6	–766.0	771.4	418.3	–4,847.7	–39.7	1,022.5	**3,201.1**		**3,201.1**
Currency translation differences not recognised in the Income Statement							63.7		**63.7**		**63.7**
Net revaluation on property for own use					22.1				**22.1**		**22.1**
Net unrealised gains/(losses) on available for sale investments					498.6		51.1		**549.7**		**549.7**
Net gains/(losses) on available for sale investments re-classified to the Income Statement on disposal					–188.9				**–188.9**		**–188.9**
Total gains and losses recognised directly in equity (net of taxes)					**331.8**		**114.8**		**446.6**		**446.6**
Profit for the year								705.9	**705.9**		**705.9**
Total profit					**331.8**		**114.8**	**705.9**	**1,152.5**		**1,152.5**
Appropriations to other reserves				270.5	12.2	739.8		–1,022.5			
Dividends to shareholders						–434.1			**–434.1**		**–434.1**
Issue of capital	76.5	2,582.7	684.5						**3,343.7**	496.3	**3,840.0**
Other movements	32.4	757.6	–45.3		–10.2	28.1			**762.6**		**762.6**
Balance at 31 December 2005	**341.6**	**9,749.9**	**–126.8**	**1,041.9**	**752.1**	**–4,513.9**	**75.1**	**705.9**	**8,025.8**	**496.3**	**8,522.1**

Company Financial Statements continued

EUR million	Share capital	Share premium	Own shares	Legal reserves	Revaluation reserve	Retained earnings	Net foreign exchange difference	Profit for the year	**Share– holders' equity**	Other equity instruments	**Equity**
Balance at 1 January 2004	206.5	5,865.6	–1,073.3	586.9	281.4	–4,816.8	–129.2		**921.1**		**921.1**
Currency translation differences not recognised in the Income Statement							13.3		**13.3**		**13.3**
Net re-valuation on property for own use					–2.9				**–2.9**		**–2.9**
Net unrealised gains/(losses) on available for sale investments					239.8		76.2		**316.0**		**316.0**
Net gains/(losses) on available for sale investments re-classified to the Income Statement on disposal					–101.8				**–101.8**		**–101.8**
Total gains and losses recognised directly in equity (net of taxes)					**135.1**		**89.5**		**224.6**		**224.6**
Profit for the year								1,022.5	**1,022.5**		**1,022.5**
Total profit					**135.1**		**89.5**	**1,022.5**	**1,247.1**		**1,247.1**
Appropriations to other reserves				184.5	17.4	–201.9					
Dividends to shareholders						–91.4			**–91.4**		**–91.4**
Issue of capital	23.9	422.7	307.2						**753.8**		**753.8**
Other movements	2.3	121.3	0.1		–15.6	262.4			**370.5**		**370.5**
Balance at 31 December 2004	**232.7**	**6,409.6**	**–766.0**	**771.4**	**418.3**	**–4,847.7**	**–39.7**	**1,022.5**	**3,201.1**		**3,201.1**

Company Cash Flow Statement

EUR million	2005	2004
Cash flow from operating activities		
Interest received	10.7	23.4
Interest paid	–27.2	–38.7
Service fees and other income received	12.6	15.2
Payments to suppliers and employees	–3.6	–14.7
	–7.5	–14.8
Cash flow from investing activities		
Dividends received	405.6	199.4
Investments in subsidiaries and associates	–447.5	–312.8
Proceeds from sale of investments	2.5	322.3
	–39.4	208.9
Cash flow from financing activities		
Issue of other equity instruments	496.3	
Dividend paid	–434.1	–91.4
Re-purchase/Issuance of Own Shares	–85.4	233.2
Intercompany financing (net)	–15.0	–242.4
	–38.2	–100.6
Net cash flow	–85.1	93.5
Movements in liquid assets		
Liquid assets at 1 January	118.9	25.4
Net cash flow	–85.1	93.5
Liquid assets at 31 December	33.8	118.9
Liquid assets includes the following items:		
Cash and Cash equivalents	33.8	116.9
Deposits with credit institutions		2.0
Liquid assets at 31 December	33.8	118.9

Notes to the Company Financial Statements

(Amounts in millions of euros, unless otherwise stated)

1 Accounting policies

Introduction

General

The Company Financial Statements are part of the 2005 financial statements of Eureko B.V.

With reference to the Company Income Statement of Eureko B.V., use has been made of the exemption pursuant to Section 402 of Book 2 of The Netherlands Civil Code.

Principles for the measurement of assets and liabilities and the determination of the result

For setting the principles for the recognition and measurement of assets and liabilities and determination of the result for its Company Financial Statements, Eureko B.V. makes use of the option provided in section 2:362 (8) of The Netherlands Civil Code. This means that the principles for the recognition and measurement of assets and liabilities and determination of the result (hereinafter referred to as principles for recognition and measurement) of the Company Financial Statements of Eureko B.V. are the same as those applied for the Consolidated IFRS Financial Statements. Participating interests, over which significant influence is exercised, are stated on the basis of the equity method. These Consolidated IFRS Financial Statements are prepared according to the standards laid down by the International Accounting Standards Board and adopted by the European Union (IFRS). Please see page 86 for a description of these principles.

Company Financial Statements continued

The share in the result of participating interests consists of the share of Eureko B.V. in the result of these participating interests. Results on transactions, where the transfer of assets and liabilities between Eureko B.V. and its participating interests and mutually between participating interests themselves, are not incorporated insofar as they can be deemed to be unrealised.

The cash flow statement in the Company Financial Statement is calculated according to the direct method.

Change in accounting policies
As a result of the application of the accounting principles used in the Consolidated Financial Statements to the Company Financial Statements, Eureko B.V. has implemented a change in accounting policies. This change in accounting policies is the result of using the option in section 2:362 (8) of The Netherlands Civil Code. By making use of this option reconciliation is maintained between the Consolidated and the Company Shareholders' equity.

The Company Financial Statements were previously prepared in compliance with the principles for recognition and measurement of assets and liabilities and determination of the result referred to in Part 9, Book 2 of The Netherlands Civil Code (BW2). The change in accounting policies, which is treated retrospectively, has had an effect on Shareholders' equity and Net profit. The impact on Shareholders' equity as at 1 January 2004 amounts to EUR 886.5 million and the impact as at 31 December 2004 amounts to EUR 887.1 million. The impact on Net profit for 2004 amounts to EUR 130.1 million.

For the purposes of comparison, the comparative figures have been adjusted on the basis of the changed accounting principles. For more detailed information, please refer to page 84 concerning the statement of reconciliation on first time adoption of IFRS.

For the classification of financial instruments for the calculation of the company's Shareholders' equity, the principle of economic reality must be used because this principle is used in the Consolidated IFRS Financial Statements. Previously, the classification of components of Shareholders' equity was based on the legal format of the financial instrument. The change in presentation related to this is stated in Shareholders' equity.

2 Intangible assets

	Goodwill	Software	Internally developed brand name	Other value of business acquired	Distribution networks	Intangible assets definite	**Total 2005**	Total 2004
Cost								
Balance at 1 January	170.1			151.5			**321.6**	110.3
Acquisitions	1,076.4	56.5	91.0	441.5	89.3	94.4	**1,849.1**	211.3
Adjustment capitalised goodwill	216.3						**216.3**	
Balance at 31 December	**1,462.8**	**56.5**	**91.0**	**593.0**	**89.3**	**94.4**	**2,387.0**	**321.6**
Amortisation and impairment losses								
Balance at 1 January				48.6			**48.6**	22.7
Amortisation charge for the year		3.2	1.5	18.1	1.5	0.8	**25.1**	8.7
Impairment loss								17.2
Balance at 31 December		**3.2**	**1.5**	**66.7**	**1.5**	**0.8**	**73.7**	**48.6**
Carrying amount								
At 1 January	170.1			102.9			**273.0**	87.6
At 31 December	**1,462.8**	**53.3**	**89.5**	**526.3**	**87.8**	**93.6**	**2,313.3**	**273.0**

3 Investment in subsidiary companies, associated companies and participating interests

	2005				2004			
	Subsidiary companies	Associated companies	Participating interests	**Total**	Subsidiary companies	Associated companies	Participating interests	Total
Balance at 1 January	2,293.3	692.2	280.1	**3,265.6**	796.2	615.8	114.7	1,526.7
Investments and loans granted	2,221.7	159.7	121.5	**2,502.9**	18.9	287.4	140.5	446.8
Sales and disposals					63.8	–402.8		–339.0
Annual results	464.9	240.1		**705.0**	957.3	128.3		1,085.6
Revaluations	352.4	–52.0	76.1	**376.5**	560.1	3.6	24.9	588.6
Dividend received	–340.5	–56.7		**–397.2**	–176.4	–14.2		–190.6
Foreign currency differences	63.7	53.7	4.4	**121.8**	13.3	72.4		85.7
Other changes	705.7	87.9		**793.6**	60.1	1.7		61.8
Balance at 31 December	**5,761.2**	**1,124.9**	**482.1**	**7,368.2**	**2,293.3**	**692.2**	**280.1**	**3,265.6**

For 116,335,744 shares (3.24%) of the interest in MillenniumBCP, as included in Participating interests, the free marketability is restricted due to Shareholder's agreements.

4 Other Investments

	Equities and similar investments	Loans	Deposits with credit institutions	**Total 2005**	Total 2004
Balance at 1 January	6.2	20.2	2.0	**28.4**	8.2
Investments and loans granted					12.8
Disinvestments and disposals			–2.0	**–2.0**	
Fair value changes	6.0	–6.8		**–0.8**	7.2
Foreign currency differences	0.1			**0.1**	
Accrued interest					0.2
Balance at 31 December	**12.3**	**13.4**		**25.7**	**28.4**

5 Receivables

	2005	2004
Group companies	**69.6**	1,167.0
Other receivables	**235.3**	222.1
	304.9	**1,389.1**

Other receivables includes an amount of EUR 215.1 million (2004: EUR 215.0 million) regarding a loan granted to Covea in exchange for the shareholding in MAAF.

6 Other assets

	2005	2004
Equipment		0.5
Other pre-payments and accrued income	**0.6**	0.1
	0.6	**0.6**

Company Financial Statements continued

7 Cash and cash equivalents

	2005	2004
Bank balances	33.8	36.9
Call deposits		80.0
	33.8	**116.9**

8 Shareholders' equity

The movements in Shareholders' equity are specified in the Statement of Changes in Equity.

In 2005, Eureko issued 106,129,722 shares (of which 29,598,985 formerly classified as treasury shares) to the Rabobank for a total consideration of EUR 3,344.1 million. The value of the issued shares is reduced with the related transaction costs. These amounted to EUR 0.4 million.

In 2005, the treasury shares which were held by Achmea Holding N.V. and Achmea Pensioen & Levenverzekeringen N.V. were transferred to Eureko B.V. at the fair value at the moment of transfer (a total number of 12,957,320 shares). Those shares and part of the treasury shares held by Eureko B.V. were issued to the Rabobank in 2005 (a total number of 29,598,985 shares). As at 31 December 2005, the certificates of preference shares in Eureko B.V., which are held by Interpolis are classified as treasury shares (a number of 3,045,103 shares). In addition, a number of 2,762,763 shares are held by Eureko B.V. as at 31 December 2005.

Other changes, as included in the Statement of Changes in Equity, are mainly explained by the re-classification of the shares subject to re-purchase agreements. In 2004, Eureko classified shares that are subject to re-purchase agreements as a separate item in the face of the Balance Sheet. These shares were measured at fair value, which is calculated using the fair value of the shares based on market-based principles (in line with the re-purchase agreements). In 2005 Eureko has found a third-party to cover the re-purchase obligations. Early in 2005 the shares subject to re-purchase agreements were re-classified as part of Equity (EUR 790.0 million).

Share capital and share premium

	Number of ordinary shares	Nominal value ordinary shares	Number of preference shares	Nominal value preference shares	Number of M shares	Nominal value M shares	Number of A shares	Nominal value A shares
Authorised	739,999,999	740.0	60,000,000	60.0	10,000,000	10.0	1	
Issued	311,116,016	311.1	23,904,060	23.9	6,667,240	6.7	1	
Available for issuance	428,883,983	428.9	36,095,940	36.1	3,332,760	3.3		
Shares issued per 1 January 2004	234,585,279	234.6			6,667,240	6.7	1	
Shares issued in 2004			23,904,060	23.9				
Shares issued per 31 December 2004	234,585,279	234.6	23,904,060	23.9	6,667,240	6.7	1	
Shares issued in 2005	76,530,737	76.5						
Shares issued per 31 December 2005	**311,116,016**	**311.1**	**23,904,060**	**23.9**	**6,667,240**	**6.7**	**1**	

Eureko has issued one A share and 10,000,000 M shares. There are special rights entitled to the A share. The majority of the decisions of the General Meeting of Shareholders of Eureko can only be made after the approval of the holder of the A share. The M shares have been established to ensure that new shares can be issued to the holder of the M shares, without the other shareholders being able to exercise pre-emptive rights. The M shares do not entitle the holder thereof to special voting rights.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of Eureko B.V.

Eureko also issued 23,904,060 preference shares. The preference shares are entitled to dividends and have one vote per share in the shareholders' meeting. The dividends paid are 7.15% per year on the share capital and share premium paid for those shares, but payment is subject to the approval of the shareholders' meeting. The dividend on preference shares will become cumulative in the event no cash/stock dividends are paid. Terms on the percentage will be reviewed every 10 years. The first review will be before 1 January 2014.

The preference shares have been issued to Eureko Tussenholding B.V. which exercises the voting rights attached to the preference shares. Eureko Tussenholding B.V. has issued certificates of the preference shares to the ultimate investors.

Legal reserves
Of Equity contributed by subsidiaries at year-end 2005, an amount of EUR 535.6 million (2004: EUR 461.5 million) was subject to claims under provisions in the Articles of Association of a number of subsidiaries, stipulating that, in the event of liquidation, the equity of these companies must be used for the benefit of public health. As far as this amount is not included in the Revaluation reserve it has been included in the Legal reserve.

Furthermore, according to the legal requirements in The Netherlands, a legal reserve has been set up for the non-distributable profits in subsidiaries and associated companies.

9 Provisions

	2005	2004
Balance at 1 January	**29.9**	14.6
Provisions made during the period	**17.7**	16.6
Provisions used during the period	**–8.6**	–1.3
Provisions reversed during the period	**–1.4**	
Balance at 31 December	**37.6**	**29.9**

Provisions related to employee benefits include share options. Provisions are also made for indemnities in relation to the sale of subsidiary companies in 2004.

10 Loans and borrowings

	Unsecured loans	Other	**Total 2005**	Total 2004
Balance at 1 January	190.9	21.1	**212.0**	252.7
Acquisitions				13.0
Disposals		–3.3	**–3.3**	–53.2
Effect of change in the benchmark rate		0.6	**0.6**	–0.5
Balance at 31 December	**190.9**	**18.4**	**209.3**	**212.0**

11 Deferred tax liabilities

	Balance at 1 January 2005	Recognised in income	Recognised in equity	Other movements	**Balance at 31 December 2005**	Balance at 31 December 2004
Intangible assets				228.7	**228.7**	
Investments		–0.1	2.5	–0.2	**2.2**	
		–0.1	**2.5**	**228.5**	**230.9**	

Eureko B.V. forms together with its Dutch subsidiaries a fiscal unity (of tax consolidated group) for corporate income tax, and is as a consequence liable for all deferred and current receivables and liabilities relating to corporate income tax.

Notes to the Company Financial Statements continued

12 Other liabilities

	2005	2004
Group companies	1,082.8	741.9
Creditors	1.8	109.9
	1,084.6	851.8

13 Income from financial investments

	2005				2004			
	Subsidiary companies	Associated companies	Participating interests	Total	Subsidiary companies	Associated companies	Participating interests	Total
Income from subsidiary and associated companies	464.9	240.1		705.0	957.3	128.3		1,085.6
Dividend			13.8	13.8			4.4	4.4
Capital gain from the sale of associates						15.6		15.6
	464.9	240.1	13.8	718.8	957.3	143.9	4.4	1,105.6

14 Other results

	2005	2004
Other income	32.2	72.0
Other expense	60.3	175.7
	–28.1	–103.7

In 2004, the result on shares subject to re-purchase agreement of EUR –87.9 million is included in the Other expense.

15 Income tax expenses

	2005	2004
Profit before tax	690.7	1,001.9
Income tax using the domestic corporation tax rate	217.6	345.7
Participation exemptions	–220.5	–366.1
Other	–12.3	–0.2
Effective tax amount	–15.2	–20.6

16 Registered seat

Eureko B.V. is seated in Amsterdam, The Netherlands, and registered with the Chamber of Commerce, Trade Register Amsterdam 33235189.

Zeist, 22 March 2006

The Supervisory Board
A.H.C.M. (Arnold) Walravens, Chairman
M. (Marinus) Minderhoud, Vice Chairman
J.M. (Jorge) Jardim Gonçalves
L. (Lense) Koopmans
E.A.J. (Erik) van de Merwe
P.F.M. (Paul) Overmars
T. (Tommy) Persson
H.J. (Henk) Slijkhuis
B.J. (Bé) van der Weg
B. (Bouke) Yntema

The Executive Board
M.W. (Maarten) Dijkshoorn, Chairman and CEO
C. (Kick) van der Pol, Vice Chairman
E.R. (Ernst) Jansen, Vice Chairman
G.H.J. (Gert) van Arkel
W.A.J. (Willem) van Duin
H.A.J. (Huub) Hannen
G. (Gerard) van Olphen, CFO
M. (Margriet) Tiemstra
R.T. (Roel) Wijmenga

Other information

Statutory requirements for appropriation of results
The company's Articles of Association contain the following requirements regarding appropriation of results:

The profit will be distributed pursuant to Article 34 of the Articles of Association of Eureko B.V. The provisions can be summarised as follows:
- The profits shall be at the free disposal of the General Meeting of Shareholders.
- The Company may only make distributions to shareholders and other persons entitled to distributable profits to the extent that its equity exceeds the total amount of its issued share capital and the reserves to be maintained pursuant to the law.
- If the General Meeting of Shareholders decides on the distribution of dividends, first of all, if possible, a dividend equal to 7.15% of the nominal amount shall be paid to preference shareholders.
- If no dividend in cash is distributed, a dividend in the form of preference shares can be resolved upon.
- If the General Meeting of Shareholders decides on the distribution of dividends and dividend on preference shares has been passed in previous years, cash dividends shall first be paid to preference shareholders with respect to these previous years, before any distribution can take place on other shares.

Proposal for appropriation of the profit of 2005

Net profit is proposed to be distributed as follows:

EUR million	2005
Net profit	705.9
Dividend on preference shares	25.5
	680.4

To be distributed as follows:

EUR million	2005
Proposed final dividend on ordinary shares	450.0
Distribution to other reserves	230.4
	680.4

Upon adoption of the proposal for distribution of the net profit by the General Meeting of Shareholders, an amount of EUR 25.6 million will be distributed to the holders of the other equity instruments (perpetual capital securities) at the next coupon payment date. This amount will be charged to Retained earnings, part of Shareholders' equity.

Other information continued

Detailed list of the shareholders of Eureko B.V.

Ownership of Eureko B.V. at 1 January 2006

Company	Country	Number of shares	% of total share capital	% of ordinary share capital
Vereniging Achmea associated entities of which				
Stichting Administratiekantoor Achmea[1]	The Netherlands	158,801,787	46.15%	49.60%
Vereniging Voormalig Ziekenfonds Zilveren Kruis	The Netherlands	1,689,320	0.49%	0.53%
Vereniging Voormalig Ziekenfonds Groene Land PWZ	The Netherlands	1,323,625	0.38%	0.41%
Vereniging Voormalig Ziekenfonds OZB	The Netherlands	110,032	0.03%	0.03%
BCP Group of which	Portugal			
Bitalpart B.V.	The Netherlands	9,033,137	2.63%	2.82%
Rabobank of which				
Coöperatieve Centrale Raiffeisenboerenleenbank B.A.	The Netherlands	118,463,664	34.43%	37.00%
Friends Provident of which				
Friends Provident Investment Holdings plc	United Kingdom	6,653,531	1.93%	2.08%
LF Group of which				
Länsförsäkringar Liv Försäkringsab (publ)	Sweden	1,789,398	0.52%	0.56%
Länsförsäkringar SAK Försäkringsab (publ)	Sweden	1,789,397	0.52%	0.56%
Gothaer Group of which				
Gothaer Allgemeine Versicherung AG	Germany	1,915,415	0.56%	0.60%
Gothaer Lebensversicherung AG	Germany	1,369,558	0.40%	0.43%
ASSTEL Lebensversicherung AG	Germany	836,924	0.24%	0.26%
Swiss Mobiliar of which				
Schweizerische Mobiliar Holding AG	Switzerland	2,769,246	0.81%	0.87%
MAAF Assurances of which				
Covea Part. SAS	France	6,667,240	1.94%	2.08%
Mr Contominas of which				
Carothers Trading Limited	Cyprus	4,612,720	1.34%	1.44%
Lilantel Limited	Cyprus	2,347,072	0.68%	0.73%
Eureko Tussenholding B.V. [2]	The Netherlands	23,904,060	6.95%	
Total		344,076,126	100.00%	100.00%

1. The Stichting Administratiekantoor Achmea issued 158,801,787 depository receipts of Eureko B.V. shares to Vereniging Achmea, including one depository receipt for the A share.

2. Eureko Tussenholding B.V. holds preference shares in the capital of Eureko B.V.

3. Non-voting shares. The total of voting shares in Eureko are 388,924,554.

Subsidiaries of Eureko

Unless otherwise stated, the interest is 100% or almost 100%, on 22 March 2006.

The Netherlands

Achmea Arbo B.V., registered in Amsterdam
Achmea Bank Holding N.V., registered in The Hague
Achmea Beleggingsfondsen Beheer B.V., registered in Utrecht
Achmea Beleggingsfondsen N.V., registered in Zaandam
Achmea Diensten B.V., registered in Apeldoorn
Achmea Financiering B.V., registered in Utrecht
Achmea Health Centers B.V., registered in Apeldoorn
Achmea Holding B.V., registered in Utrecht
Achmea Holding N.V., registered in Utrecht
Achmea Huisvesting B.V., registered in Apeldoorn
Achmea Hypotheekbank N.V., registered in The Hague
Achmea Inkomensverzekeringsdiensten B.V., registered in Amsterdam
Achmea Pensioen- en Levensverzekeringen N.V., registered in Apeldoorn
Achmea Personeel B.V., registered in Utrecht
Achmea Reinsurance Brokers B.V., registered in Utrecht
Achmea Retail Bank N.V., registered in The Hague
Achmea Schade Service B.V., registered in Utrecht
Achmea Schadeverzekeringen N.V., registered in Apeldoorn
Achmea SZ Holding B.V., registered in Amsterdam
Achmea Vastgoed B.V., registered in Amsterdam
Achmea Verzekeringsholding N.V., registered in Utrecht
Achmea Zorgverzekeringen N.V., registered in Noordwijk
Apotheek Wilhelmina Ziekenhuis B.V. (50%), registered in Assen
Argonaut B.V., registered in Amstelveen
Avéro Achmea Particuliere Kredieten B.V., registered in The Hague
Avéro Pensioenverzekeringen N.V., registered in Leeuwarden
Avéro Schadeverzekering Benelux N.V., registered in Rotterdam
Beon Advies B.V., registered in Groningen
Beon Employee Benefits B.V., registered in Groningen
BMG Detachering B.V., registered in Tilburg
BMG Groep B.V., registered in Tilburg
Cadans Assurantie-Administratie B.V., registered in Utrecht
Cadans Beheer Vastgoed B.V., registered in Apeldoorn
Cadans Intermediair B.V., registered in Apeldoorn
Centraal Beheer Woningmaatschappij Alkmaar B.V., registered in Apeldoorn
Centraal Beheer Woningmaatschappij Breda B.V., registered in Apeldoorn
Centraal Beheer Woningmaatschappij Gouda II B.V., registered in Apeldoorn
Centraal Beheer Woningmaatschappij Joure B.V., registered in Apeldoorn
Centraal Beheer Woningmaatschappij Oisterwijk B.V., registered in Apeldoorn
Commit Atrium B.V., registered in De Meern
Commit B.V., registered in De Meern
Commit Services B.V., registered in De Meern
EuroCross International Assistance Services B.V., registered in Noordwijk
Eurocross International Holding B.V., registered in Noordwijk
EuroCross International Insurance N.V., registered in Noordwijk
Florinvest B.V., registered in Leeuwarden
GlobalNeth B.V., registered in Tilburg
Groene Land Dienstverlening B.V., registered in Meppel
Interpand Drie N.V., registered in Zoetermeer

Other information continued

Interpolis Bedrijfszorg Beheer B.V., registered in De Meern
Interpolis BTL Hypotheken B.V., registered in Rotterdam
Interpolis Computercentrum B.V., registered in Tilburg
Interpolis Diensten B.V., registered in Utrecht
Interpolis Facilitaire Dienstverlening B.V., registered in Tilburg
Interpolis Mens & Werk Bedrijfszorg N.V., registered in Tilburg
Interpolis N.V., registered in Tilburg
Interpolis Pensioenen B.V., registered in Utrecht
Interpolis Pensioenen B.V., registered in Tilburg
Interpolis Pensioenen Vermogensbeheer B.V., registered in Tilburg
Interpolis Schade Hypotheken B.V., registered in Rotterdam
Interpolis Tussenpersonen B.V., registered in Tilburg
Interpolis Vastgoed B.V., registered in Utrecht
Interpolis Verzekeringen N.V., registered in Tilburg
Keuringscentrum Sociale Dienst B.V., registered in Rijswijk
Klant Contact Services B.V. (51%), registered in Amsterdam
Leefstijl Trainingscentrum N.V. (75%), registered in Amsterdam
Levensverzekeringsmaatschappij Twenteleven N.V., registered in Amersfoort
Levob B.V., registered in Amersfoort
Levob Bank N.V., registered in Amersfoort
Levob Beheermaatschappij B.V., registered in Amersfoort
Levob Financieringen N.V., registered in Amersfoort
Maretel B.V., registered in Tilburg
Medical Service Center B.V., registered in Amstelveen
N.V. Brand- en Varia Verzekeringsmaatschappij De Twaalf Gewesten, registered in Leidschendam
N.V. Hagelunie, registered in The Hague
N.V. Interpolis Aandelenbezit L, registered in Tilburg
N.V. Interpolis BTL, registered in Tilburg
N.V. Interpolis Dierverzekeringen, registered in Tilburg
N.V. Interpolis Kredietverzekeringen, registered in Tilburg
N.V. Interpolis Onroerend Goed, registered in Tilburg
N.V. Interpolis Reassurantiemaatschappij, registered in Tilburg
N.V. Interpolis Schade, registered in Tilburg
N.V. Interpolis Tivoli, registered in Tilburg
OWM Aquapol, registered in The Hague
P.M. Evenementen B.V., registered in Zwolle
PIEN B.V., registered in Zeist
Pim Mulier B.V., registered in Zwolle
Prevend B.V., registered in Utrecht
PVF Management B.V., registered in Amsterdam
PVF Nederland N.V., registered in Amsterdam
PWZ Dienstverlening N.V., registered in Purmerend
Radiaal B.V., registered in Utrecht
Relan Arbo B.V., registered in Zoetermeer
Relan Arbo Groep B.V., registered in Zoetermeer
Relan Services B.V., registered in Zeist
Residex B.V., registered in Apeldoorn
Residex Capital III B.V., registered in Apeldoorn
Residex Capital IV B.V., registered in Apeldoorn
RoZeker N.V., registered in Arnhem
Scheperapotheek B.V. (40%), registered in Assen
SGG Collectief B.V., registered in Zoetermeer
SGG Leasing B.V., registered in Zoetermeer
Staalbankiers N.V., registered in The Hague

Sterpolis Assurantiebemiddeling B.V., registered in Arnhem
Sterpolis Holding N.V., registered in Arnhem
Sterpolis Schadeverzekeringen N.V., registered in Arnhem
Stigas Agrarisch Preventief B.V., registered in Zoetermeer
Van Spaendonck Administratie & Automatisering B.V., registered in Tilburg
Van Spaendonck Risk B.V., registered in Tilburg
Verzekeringen Adviesgroep B.V., registered in Tilburg
Winnock B.V., registered in Bilthoven
Zilveren Kruis Dienstverlening Ziekenfondsverzekeringen N.V., registered in Heemstede

Greece
Athinaiki Clinic S.A. (99.8%), registered in Athens
Bestline Cards Financial Services S.A. (29.9%), registered in Athens
Euroclinic of Athens (99.7%), registered in Athens
Imperio Life Hellenic Life Insurance Company S.A. (99.8%), registered in Athens
Interamerican Property & Casualty Insurance Company S.A. (99.8%), registered in Athens
Interamerican Health General Insurance Company Health and Assistance S.A. (99.8%), registered in Athens
Interamerican Hellenic Life Insurance Company S.A. (99.8%), registered in Athens
Interamerican Road Assistance S.A. (99.8%), registered in Athens
Interamerican Romania Assistance SRL (99.8%), registered in Athens
Interassistence (99.8%), registered in Athens
Interdata Information Development S.A. (69.9%), registered in Athens
Interplaza Design & Consulting Services, Hotel & Tourist Company S.A. (90.1%), registered in Athens
Interstate Design & Consultancy Services Hotel & Tourist Enterprises S.A. (99.8%), registered in Athens
Medicom Systems S.A. (99.8%), registered in Athens
Medifirst (48.9%), registered in Athens
Megatrust Olympiaki Securities S.A. (26.3%), registered in Athens
Pediatric Clinic S.A. (99.8%), registered in Athens

Ireland
Ashtown Management Co. Ltd (50%), registered in Dublin
Atrium Nominees, registered in Dublin
Celtic Autoline Direct Insurance Ltd, registered in Dublin
Celtic Direct Life Ltd, registered in Dublin
Celtic Insurance Services Ltd, registered in Dublin
Celtic International Endowment Policies Ltd, registered in Dublin
Citifriend Nominee Ireland Ltd (97.8%), registered in Dublin
Eureko Ireland Ltd, registered in Dublin
Eureko Re Dublin Ltd, registered in Dublin
Friends First (Cherrywood) Ltd, registered in Dublin
Friends First Broker Services Ltd, registered in Dublin
Friends First Direct Ltd, registered in Dublin
Friends First Finance Ltd., registered in Dublin
Friends First General Insurance Company Ltd, registered in Dublin
Friends First Group Services Ltd, registered in Dublin
Friends First Holdings Ltd, registered in Dublin
Friends First International Ltd, registered in Dublin
Friends First Life Assurance Company Ltd (95.5%), registered in Dublin
Friends First Managed Pension Funds Ltd, registered in Dublin
Friends First Trustee Services Ltd, registered in Dublin
Friends Provident Ireland Ltd (50%), registered in Dublin
Friends Provident Ireland Ltd (50%), registered in Surrey
Interpolis Captive Management Services Ltd, registered in Dublin

Other information continued

Interpolis Insurance Ireland Ltd, registered in Dublin
Interpolis International Reinsurance Services Ltd, registered in Dublin
Liberty Asset Management Ltd, registered in Dublin
Liberty Asset Management Pensioner Trustee Company Ltd, registered in Dublin
Liberty Mortgage Corporation Ltd, registered in Dublin
Liberty Wealth Management Ltd, registered in Dublin
Partac Ltd (97.8%), registered in Dublin
Periplex Ltd, registered in Dublin
Q Capital Ltd, registered in Dublin

France
Globale SARL (99.99%), registered in Paris
Império Assurances et Capitalisation S.A. (99.99%), registered in Paris
S.C.I Interpierre (99.97%), registered in Paris
S.C.I Residence de L'isle (99.93%), registered in Paris

Slovakia
Union Broker s.r.o. (97.6%), registered in Bratislava
Union Európske cestovné poistenie a.s. (73.2%), registered in Bratislava
Union Poisťovňa, a.s. (97.6%), registered in Bratislava

Cyprus
Interamerican Assistence Ltd, registered in Nicosia
Interlife Insurance Company Ltd (88.61%), registered in Nicosia

Romania
Interamerican Romania Insurance Company S.A. (86.53%), registered in Bucharest
Medisystem Hospital S.A., registered in Bucharest
Medisystem Romania S.A. (99.99%), registered in Bucharest

Bulgaria
Interamerican Bulgaria ZEAD, registered in Sofia
Interamerican EAD Assistance, registered in Sofia

Luxembourg
Achmea Re Management Company S.A., registered in Luxembourg
Achmea Reinsurances S.A., registered in Luxembourg
Eureko Reinsurance S.A., registered in Luxembourg
Interpolis Luxembourg S.A., registered in Luxembourg

Other
EuroCross International Central Europe SRO, registered in Prague, Czech Republic
Liberty Property Company Ltd, registered in London, UK
Interpolis USA Ltd, registered in Delaware, USA
Imperservices S.A. (99.99%), registered in Lausanne, Switzerland

A complete list of subsidiaries as specified in section 2:379 and 2:414 of The Netherlands Civil Code, is registered at the Trade Register of the Chamber of Commerce in Amsterdam. In accordance with the provision in section 2:403 paragraph 1 of The Netherlands Civil Code, not all requirements under Title 9 of Book 2 of The Netherlands Civil Code have been met in respect of a number of group companies.

Auditors' report

Introduction
We have audited the financial statements of Eureko B.V., Amsterdam, for the year 2005 as set out on pages 80 to 192. These Financial Statements consist of the Consolidated Financial Statements and the Company Financial Statements. These Financial Statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these Financial Statements based on our audit.

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

Opinion 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 the Company as at 31 December 2005 and of the result and the cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and also comply with the financial reporting requirements included in Part 9 of Book 2 of The Netherlands Civil Code as far as applicable.

Furthermore we have established to the extent of our competence that the annual report is consistent with the Consolidated Financial Statements.

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 the Company as at 31 December 2005 and of the result for the year then ended in accordance with accounting principles generally accepted in The Netherlands and also comply with the financial reporting requirements included in Part 9 of Book 2 of The Netherlands Civil Code.

Furthermore we have established to the extent of our competence that the annual report is consistent with the Company Financial Statements.

Amsterdam, 22 March 2006

KPMG ACCOUNTANTS N.V.

F. van der Wel RA

Additional Information

Pro Forma figures Eureko and Interpolis combined

Principles used in calculating pro forma figures

The pro forma figures are the statutory figures of Eureko stand alone and Interpolis combined, where the balance sheet amounts and results are calculated on the basis of the same set of accounting principles. This set of accounting principles is described in the financial statements on page 86. In calculating the pro forma balance sheet amounts as at 31 December 2004, it is assumed that the immaterial assets equals the balance sheet amount as at the acquisition date. In calculating the pro forma results, the depreciation on intangible assets (that were capitalised at acquisition date) are taken into account, which are assumed to be equal to the expected depreciation in 2006.

Pro forma Consolidated Balance Sheet

(before appropriation of profit)

EUR million	31 December 2005	31 December 2004
Assets		
Intangible assets	2,375.1	1,933.9
Investments in associated companies	2,104.3	1,486.8
Investment property	1,430.2	1,433.5
Investments	35,108.7	33,192.8
Investments in backing linked liabilities	19,213.2	15,576.7
Banking credit portfolio	16,458.8	16,941.6
Deferred tax assets	1,121.7	767.2
Deferred acquisition costs	545.3	510.7
Income tax receivable	38.2	200.2
Amounts ceded to re-insurers	834.7	735.0
Receivables	2,206.7	1,453.3
Other assets	979.0	1,184.1
Cash and cash equivalents	877.3	957.4
Total assets	83,293.2	**76,373.2**
Capital and reserves	8,025.8	6,092.9
Other equity instruments	496.3	0.0
Shareholders' equity	8,522.1	**6,092.9**
Minority interests	3.0	49.4
Total equity	8,525.1	**6,142.3**
Liabilities		
Shares subject to re-purchase agreements		790.0
Insurance liabilities	33,168.1	31,696.5
Insurance liabilities for policyholders	15,686.7	13,078.2
Investment contracts	3,060.2	2,820.0
Employee benefits	2,064.1	1,469.0
Other provisions	228.5	220.9
Banking customer accounts	5,335.5	5,750.3
Loans and borrowings	9,865.5	9,875.3
Derivatives	631.4	824.9
Deferred tax liabilities	1,163.0	772.4
Income tax payable	393.2	336.7
Other liabilities	3,171.9	2,596.7
	74,768.1	**70,230.9**
Total liabilities and Total equity	83,293.2	**76,373.2**

Pro forma Consolidated Income Statement

EUR million	2005	2004
Income		
Gross written premiums Life	4,771.2	4,609.5
Gross written premiums Non-Life	2,643.3	2,568.7
Gross written premiums Health	2,432.2	2,166.8
Gross written premiums	9,846.7	**9,345.0**
Re-insurance premiums	–497.3	–475.7
Change in provision for unearned premiums (net)	–46.9	–61.0
Net earned premiums	9,302.5	**8,808.3**
Contributions received for health pooling	284.2	274.5
Income from associated companies	299.6	124.1
Result on shares subject to re-purchase agreements	0.0	–87.9
Investment income	1,514.4	1,452.3
Realised and unrealised gains and losses	894.3	551.3
Income from investments backing linked liabilities	2,329.0	909.7
Banking income	838.2	833.6
Fee and commission income, and income from service contracts	547.8	578.9
Other income	216.2	189.4
Total income	16,226.2	**13,634.2**
Expenses		
Net claims and movements in insurance liabilities	8,027.7	8,109.2
Net claims and movements in insurance liabilities ceded to re-insurers	–171.4	–108.7
Profit sharing, bonuses and rebates	829.3	250.8
Movements in insurance liabilities for policyholders	2,448.9	1,046.0
Benefits on investment contracts	365.9	123.5
Operating expenses, insurance and health	2,465.8	2,592.3
Banking expenses	559.0	591.8
Interest and similar expenses	153.5	110.5
Other expenses	430.8	335.0
Total expenses	15,109.5	**13,050.4**
Profit before tax and discontinued operations	1,116.7	583.8
Discontinued operations	–12.8	743.8
Profit before tax	1,103.9	1,327.6
Income tax expenses	–186.1	–154.4
Net profit for the year of the Group	917.8	**1,173.2**
Minority interest	0.1	0.9
Net profit	917.9	**1,174.1**

Pro Forma Analysis 2005

2005 was notable for the merger of Interpolis with Achmea in November. Therefore, only two months of Interpolis results have been included in the Eureko Annual Report 2005. From a business point of view, these two months do not give a reasonable insight into how Interpolis performed as a whole; therefore, a short Pro Forma Analysis has been made in which Full Year results have been included. This analysis will give the reader an impression of the results if the Full Year results of Interpolis were included.

Profit Before Tax and Discontinued Operations

Eureko enjoyed a highly successful 2005. Profit before tax and discontinued operations increased by 91%. This strong performance was achieved across all business lines in Eureko.

Non-Life produced very strong results, due to excellent claims ratios, stringent cost control and favourable weather conditions. The results at Life were consistent with 2004, but are still disappointing mainly within Interamerican, in which additional expenses for re-structuring and charges to provisions for health products related to Life policies were required. Within the Health segment the re-structuring of the re-integration business that was started in 2004 was already visible in 2005. These re-structuring programs were required due to changes in legislation by the government. Health Insurance mainly faced lower results in private health due to the expenses required for the implementation of the new health system as per 1 January 2006 and additional provisions which were required due to the uncertainty in the market of claims as a result of the implementation of DBCs within The Netherlands. Occupational Health insurance partly offsets the lower Health insurance results. The strong performance of occupational health was mainly driven by lower absenteeism of Achmea's clients due to a focus on the reduction of absenteeism and co-operation with the re-integration organisation. The Banking results improved significantly due to re-structuring in 2004 and the increased interest margin by changes in the fair value of derivatives as a result of changing interest rates. The latter is the effect of the implementation of IFRS as per 1 January 2004.

Gross Written Premiums

Notwithstanding the negative impact of fiscal changes on the Life segment, the level of Gross Written Premiums increased by 3.5%, mainly due to the renewed focus on commercial vitality. This also impacted the level of Gross Written Premiums in the Non-Life segment, which increased by 2.9%, partly due to the acquisition of the Levob portfolio at Achmea and the continued success of the 'Alles-in-een-Polis' (All-in-one) concept by Interpolis. In 2005, a similar concept was introduced to the Small and Medium enterprise market. In the Health segment, a 12.2% growth in Gross Written Premiums was realised, which was mainly due to an increase of the number of insured, from 1 million to 1.4 million, of which the acquisition of the AXA, OZF and Rabobank Collective contract portfolios were the main contributors, while WIA re-imbursements partly offset this positive trend.

Glossary of Terms

Actuarial reserve
Liability established to provide for future benefits to policyholders net of liability ceded to re-insurers.

Annual Premium Equivalent (APE)
Total annual premiums plus 10% of single premiums.

Associate
An entity over which the investor has significant influence and that is neither a subsidiary nor a joint venture.

AWBZ
Exceptional Medical Expenses Act. Dutch Law covering uninsurable medical risks, e.g. chronical sickness of handicapped (young) people.

BIS
The Bank for International Settlements (BIS) is an international organisation which fosters international monetary and financial co-operation and serves as a bank for central banks. BIS has set a minimum for the solvency ratio reflecting the relationship between capital and risk weighted assets. The ratio should at least be 8%.

Claim
An occurrence that is the basis for submission and/or payment of a benefit under an insurance policy. Claims may be covered, limited or excluded from coverage, depending on the terms of the policy.

Claims and claims expenses
The sum of incurred claims and claims expenses. This term is used interchangeably with ‘loss and loss adjustment expenses’.

Claims expenses
The expenses of investigating and settling claims, including certain legal and other fees, and the expenses of administering the claims adjustment process.

Claims ratio
The ratio of a property and casualty insurance or re-insurance company’s incurred claims and claim expenses to net premiums earned. Also referred to as ‘loss ratio’.

Combined ratio
The sum of the claims ratio and the cost ratio for an insurance company or a re-insurance company. A combined ratio of more than 100% does not necessarily mean that there is a loss on insurance policies, because the result also includes the allocated investment income.

DBC
A settlement method covering a whole medical treatment period in which the claim compensation for separate treatments is specified. The final settlement with the health insurer is at the end of the treatment period.

Deferred tax assets
The amounts of income taxes deemed to be recoverable in future periods in respect of:
– deductible temporary differences;
– the carry forward of unused tax losses;
– the carry forward of unused tax credits.

Deferred tax liabilities
The amounts of income taxes payable in future periods in respect of taxable temporary differences.

Defined Benefit Plan
Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Defined Contribution Plan
Post-employment benefit plans under which an enterprise pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Derivatives
Derivatives are financial instruments, which include forwards, futures, options and swaps, whose value is based on an underlying asset, index or reference rate.

Embedded value
The sum of the shareholder’s net assets (after tax) and the present value of future releases to shareholders arising from the in-force business less a charge for the cost of capital supporting the required solvency margin.

Employee benefits
All forms of consideration given by a company in exchange for service rendered by (former) employees.

Expense ratio
The ratio of property and casualty insurance operating expenses to net earned premiums.

Fair value
The amount at which an asset or a liability could be traded on a fair basis at the balance sheet date, between knowledgeable, willing parties in arm’s-length transactions.

Financial instruments
Financial instruments are contracts that give rise to both a financial asset for one company and a financial liability or equity instrument for another company.

GAR
Guaranteed Annuity Rate.

Glossary of Terms continued

GWP
Gross Written Premiums. Total premiums (whether or not earned) for insurance contracts written or assumed (including deposits for investment contracts with limited or no life contingencies written) during a specific period, without deduction for premiums ceded.

Impairment
If the usefulness of an asset or a group of identical assets is impaired, for example by damage or technical obsolescence or other economic factors, the recoverable amount may be less than the carrying amount of the asset. In such circumstances a write-down of the asset is necessary.

Intercompany transaction
Intercompany transactions are transactions between the Group companies of Eureko Group.

Joint Venture
A contractual arrangement whereby two or more parties undertake an economic activity which is subject to joint control.

Minority interest
That part of the net results of operations and of net assets of a subsidiary attributable to interest which are not owned, directly or indirectly through subsidiaries, by the parent.

Net earned premiums
The portion of net premiums written that is recognised for accounting purposes as income during a period.

Net premiums written
Gross premiums written for a given period less premiums ceded re-insurer during such period.

Normalised return on equity
The ratio of recurring net income to average shareholders' equity.

Notional amounts
Notional amounts represent units of account which, in respect of derivatives, reflect the relationship with the underlying assets. They do not reflect, however, the credit risks assumed by entering into derivative transactions.

Operating segments
Operating segments are defined as components of an enterprise about which discrete information is available that is evaluated regularly by the chief operating decision maker or decision making group in deciding how to allocate resources and in assessing performance.

Over-the-counter instrument
Non-standardised financial instrument not traded on a stock exchange but directly between market participants.

Participating interest
A participating interest exists if a corporation or its subsidiary provides capital or causes capital to be provided for the account of either of them to another corporation in order to be durably linked to that corporation in furtherance of its own activities.

Periodic premium products
Life insurance products that provide for more than one premium payment during the life of the contract.

Policyholders' bonuses
Bonuses (or policyholders' dividend) periodically credited to participating contract holders. Regular bonuses, once credited, are guaranteed on death or maturity.

Post-employment benefit plans
Formal or informal arrangements under which a company provides post-employment benefits for one or more employees. Post-employment benefits are employee benefits other than termination benefits and equity compensation benefits, which are payable after the completion of employment.

Preference share
A preference share is similar to an ordinary share but carries certain preferential rights. These rights usually concern the guarantee of a fixed (cumulative) return to the shareholder or a guaranteed return on the investment.

Premiums earned
That portion of gross premiums written in current and past periods which applies to the expired portion of the policy period, calculated by subtracting changes in unearned premium reserves from gross premiums.

Return on assets (ROA)
The ratio of net income to average assets.

Return on equity (ROE)
The ratio of net income to average shareholders' equity.

Single premium products
Life insurance products that provide for only one premium to be paid at the issuance of the contract.

Subordinated loan
A credit or a liability where, in the event of bankruptcy under the application of the emergency regulations as referred to in the Act on Supervision of the Credit System, or liquidation of the debtor, the outstanding part is not eligible for set-off and is not repayable until all other currently outstanding debts have been repaid.

Subsidiary
An entity that is controlled by Eureko.

Tier-1 Capital
The Tier-1 capital is also referred to as the core capital of Achmea Bank. It comprises paid up share capital, reserves excluding revaluation reserves, fund for general banking risks, retained earnings, third party interest.

Tier-1 Ratio
The Tier-1 ratio is reflecting the Tier-1 capital as a percentage of its total risk weighted assets. The minimum set by the Dutch central bank is 4%.

Trading portfolio
The trading portfolio comprises those financial instruments which are held to obtain short-term transaction results, to facilitate transactions on behalf of clients or to hedge other positions in the trading portfolio.

Underwriting results
The pre-tax profit or loss experienced by an insurance company or re-insurance company after deducting incurred claims and claims expenses and operating expenses from premiums earned. This profit and loss calculation includes re-insurance assumed and ceded but excludes investment income.

UWV
Uitvoeringsinstituut Werknemersverzekeringen. Dutch semi-government organisation for the administration of employees' insurances.

WAO
Wet Arbeidsongeschiktheidsverzekering. Disablement Insurance Act, one of the Dutch Social Securities Acts regarding the continuation of paying wages during long term illness of employees.

WIA
Wet Werk en Inkomen naar Arbeidsvermogen. A recent Dutch Social Securities Act replacing the Disablement Insurance Act (WAO).

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