PROSPECTUS

Fortis Bank nv-sa

(a company with limited liability (*naamloze vennootschap/société anonyme*) and a bank incorporated under the laws of Belgium)

Fortis N.V.

(incorporated with limited liability under the laws of The Netherlands)

Fortis SA/NV

(incorporated with limited liability under the laws of Belgium)

€3,000,000,000

Convertible And Subordinated Hybrid Equity-linked Securities ("CASHES") (par value of €250,000 each)

ISSUE PRICE 100%

The undated CASHES will be duly authorized and issued securities of Fortis Bank nv-sa ("**Fortis Bank**"), who, with Fortis N.V. and Fortis SA/NV (together the "**Parent Companies**"), shall be the "**Co-obligors**". The CASHES shall be issued in dematerialized book-entry form and shall constitute direct, secured and subordinated obligations of the Co-obligors and shall have no stated maturity.

Coupons on the CASHES will be payable quarterly in arrears on March 19, June 19, September 19 and December 19 of each year, commencing on March 19, 2008, at a variable rate per annum on their outstanding principal amount equal to 3-month EURIBOR plus 2.0%, calculated on an actual/actual ICMA basis.

At any time from 40 days after the date of issuance, the CASHES may be exchanged at the option of the holder for units issued by Fortis N.V. and Fortis SA/NV, each unit comprised of one ordinary share in the capital of Fortis N.V. twinned with one ordinary share in the capital of Fortis SA/NV, or any successor ordinary share capital issued by either ("**Fortis Shares**"). The CASHES shall be exchangeable at an exchange ratio of 10,442.77 Fortis Shares per €250,000 principal amount of CASHES, subject to adjustment on the occurrence of certain events. In addition, all outstanding CASHES shall be automatically exchanged for Fortis Shares, if, at any time after the seventh anniversary of the issue date, the Volume Weighted Average Price of the Fortis Shares for 20 consecutive Stock Exchange Business Days equals or exceeds the Automatic Exchange Price Level.

The sole recourse of the holders of CASHES against any of the Co-obligors with respect to the principal amount of the CASHES shall be to the 125,313,283 Fortis Shares that are pledged by Fortis Bank in favor of such holders as further described in this Prospectus. These Fortis Shares are referred to as the Underlying Shares and are also the only Fortis Shares available to secure the exchange rights under the CASHES.

Fortis Shares have a dual primary listing on Eurolist by Euronext Amsterdam N.V. ("**Euronext Amsterdam**") and on the regulated market of Euronext Brussels SA/NV ("**Euronext Brussels**"). The Fortis Shares are also listed on the regulated market of the Luxembourg Stock Exchange and Fortis has a sponsored over-the-counter ADR program in the United States.

In the event that dividends are not to be paid on the Fortis Shares, or that the dividends to be declared on the Fortis Shares are below a certain threshold with respect to any financial year, and in certain other circumstances, payments on coupons will be made only in accordance with the Alternative Coupon Satisfaction Method, as further described in this Prospectus.

The CASHES are not redeemable at the option of the Co-obligors at any time, and neither any of the Co-obligors nor any of their respective subsidiaries may acquire any of the CASHES, other than in connection with dealing in securities in the ordinary course of business.

All coupon obligations of each of the Co-obligors under the CASHES will be deeply subordinated obligations ranking behind the claims of holders of all other liabilities of such Co-obligor, except any indebtedness or obligation that, expressly or by applicable law, is pari passu with or subordinated to the CASHES, and except any ordinary shares of Fortis Bank and the Fortis Shares.

Application has been made to list the CASHES on the Luxembourg Stock Exchange for trading on the Euro MTF market of the Luxembourg Stock Exchange (the "**Euro MTF**").

The Managers (as defined herein) will purchase all of the CASHES offered hereby, if they purchase any of them.

The Managers expect the CASHES will be delivered on or about December 19, 2007

Investing in the CASHES involves certain risks. See *"Risk Factors"* beginning on page 34.

The CASHES and the Fortis Shares or other securities deliverable upon exchange of the CASHES have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or under any state securities laws and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S under the Securities Act), unless registered under the Securities Act or an exemption from the requirements of the Securities Act is available. The CASHES are being offered and sold in offshore transactions outside the United States in reliance on Regulation S under the Securities Act. The Fortis Shares to be delivered upon exchange of the CASHES may not be offered or sold in the United States or to, or for the account or benefit of, U.S. Persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

This Prospectus may only be used for the purposes for which it has been published.

Joint Global Co-ordinator and Joint Bookrunner	*Joint Global Co-ordinator and Joint Bookrunner*	*Joint Global Co-ordinator and Co-Bookrunner*
Merrill Lynch International	**JPMorgan**	**Fortis Bank**

Co-Lead Managers

Fox-Pitt Kelton Cochran Caronia Waller **Santander Investment**

December 14, 2007

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Each of Fortis Bank, Fortis N.V. and Fortis SA/NV, having made all reasonable inquiries and having taken all reasonable care to ensure that such is the case, confirms that this Prospectus contains all information with regard to each of them and the CASHES that is material in the context of the issue and offering of the CASHES, that the information contained in this document is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which would make this document or any of such information or the expression of any such opinions or intentions materially misleading. Each of Fortis Bank, Fortis N.V. and Fortis SA/NV accepts responsibility for the information contained in this document.

We are offering to sell, and are seeking offers to buy, the CASHES only in jurisdictions where offers and sales are permitted. This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, the CASHES offered by this Prospectus by any person in any jurisdiction in which it is unlawful for such person to make such an offer or solicitation. Neither the delivery of this Prospectus nor any sale made under it implies that there has been no change in our affairs or that the information in this Prospectus is correct as of any date after the date of this Prospectus.

We and Merrill Lynch International ("**Merrill Lynch**"), J.P. Morgan Securities Ltd. ("**JPMorgan**") and Fortis Bank (Nederland) N.V. and the other Managers named on the cover of this Prospectus (the "**Managers**") reserve the right to reject any offer to purchase for any reason, or to sell less than all of the CASHES offered by this Prospectus.

The CASHES described herein have not been and will not be registered under the Securities Act or under any State securities laws and may not be offered or sold in the United States or to, or for the

account or benefit of US Persons, unless registered under the Securities Act or an exemption from the registration requirements is available. This Prospectus has not been recommended or approved by the United States Securities and Exchange Commission (the "SEC") or any other regulatory authority and neither the SEC nor any other regulatory authority has passed upon the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offense.

In connection with the issue of the Securities, Merrill Lynch International (the "**Stabilizing Manager**") (or persons acting on behalf of the Stabilizing Manager) may over-allot Securities (provided that the aggregate principal amount of CASHES allotted does not exceed 105%. of the aggregate principal amount of the CASHES) or effect transactions with a view to supporting the market price of the CASHES at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilizing Manager (or persons acting on behalf of the Stabilizing Manager) will undertake stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the CASHES is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the CASHES and 60 days after the date of the allotment of the CASHES.

You must (1) comply with all applicable laws and regulations in force in any jurisdiction in connection with the possession or distribution of this Prospectus and the purchase, offer or sale of the CASHES and (2) obtain any consent, approval or permission required to be obtained by you for the purchase, offer or sale by you of the CASHES under the laws and regulations applicable to you in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales, and neither we nor the Managers shall have any responsibility therefor.

We have prepared this Prospectus and we are solely responsible for its contents. You may contact us at any time if you need additional information. By purchasing CASHES, you acknowledge that:

- you have not relied on the Managers or any person affiliated with the Managers in connection with your investigation of the accuracy of the information set forth in this Prospectus or your investment decision; and
- no person has been authorized to give any information or to make any representation concerning us or the CASHES, other than as contained in this Prospectus and, if given or made, any such other information or representation should not be relied upon as having been authorized by us or the Managers.

Neither the Managers nor the Indenture Trustee and its agents are making any representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this Prospectus. You should not rely upon the information set forth in this Prospectus, as a promise or representation, whether as to the past or the future.

See "*Risk Factors*" for a description of some important factors relating to an investment in the Securities offered by this Prospectus. None of us, the Managers or any of our respective representatives is making any representation to you regarding the legality of an investment by you under appropriate investment or similar laws. You should consult with your own advisers as to legal, tax, business, financial and related aspects of a purchase of the CASHES.

Presentation of Financial Information

Fortis is not a legal entity but collectively refers to Fortis SA/NV and Fortis N.V. and the group of companies owned and/or controlled by Fortis SA/NV and Fortis N.V. In this Prospectus, "**Fortis Group**" and "**Fortis**" refer to Fortis SA/NV, Fortis N.V. and the group of companies owned and/or controlled by Fortis SA/NV and Fortis N.V., including Fortis Bank.

In this Prospectus, references to "we", "us" or "our" refer to the Fortis Group and references to the "Parent Companies" mean Fortis SA/NV and Fortis N.V. and their respective successors and not any of their respective subsidiaries.

Consolidated Financial Statements

Fortis published its full-year 2005 and 2006 results, including comparative numbers for 2004, (the "**Consolidated Financial Statements**"), in accordance with International Financial Reporting Standards including International Accounting Standards and Interpretations and as adopted by the European Union ("**IFRS**"). For IAS 39, *Financial Instruments: Recognition and Measurement* this takes into account the amendments regarding the fair value option as published on June 16, 2005 by the International Accounting

Standards Board ("**IASB**") and as adopted by the European Union on November 15, 2005, as well as the exclusion regarding hedge accounting (the so-called 'carve-out') decided by the European Union on November 19, 2004.

The Fortis consolidated financial statements for the year ended December 31, 2004 were prepared in accordance with the applicable legal and regulatory requirements in Belgium. Fortis has restated the consolidated financial statements for comparative reasons to comply with IFRS.

Fortis publishes its financial statements in euros. References to "**€**", "**euro**", "**EUR**" and "**Euro**" are to the euro, the single unified currency that was introduced in Belgium and The Netherlands and nine other member states of the European Union on January 1, 1999.

Fortis Bank nv-sa Financial Statements

Fortis Bank (and, together with its consolidated subsidiaries, "**Fortis Bank Group**") prior to January 1, 2006, prepared its consolidated financial statements in accordance with generally accepted accounting principles in Belgium ("**Belgian GAAP**"). Beginning with the financial year ending December 31, 2006, the consolidated financial statements of Fortis Bank Group have been prepared, for the first time, in accordance with International Financial Reporting Standards as adopted by the European Union ("**IFRS**"). Such financial statements include comparative financial statements for the year ended December 31, 2005.

Information Regarding ABN AMRO Holding N.V. ("ABN AMRO")

The information about ABN AMRO presented in this Prospectus in the sections "Risk Factors — Risks related to ABN AMRO and the ABN AMRO Businesses" and under the captions "Information About the ABN AMRO Acquisition — The ABN AMRO Businesses", — "Business rationale of the ABN AMRO Acquisition", — Overview of the integration process" and "— Financial information relating to the acquisition of the ABN AMRO Businesses", including all ABN AMRO financial information on the pages and in the Sections referred to, is derived from publicly available information (essentially (i) the ABN AMRO Form 20-F as referred to herein in the section "*Risk Factors — Risks related to ABN AMRO and the ABN Business*es" and (ii) the Current Reports on Form 6-K as referred to on page 42, both filed with or furnished to the U.S. Securities and Exchange Commission (the "**SEC**") and available on the SEC website at www.sec.gov, and (iii) the ABN AMRO annual reports 2005 and 2006 as well as (iv) the ABN AMRO six-month 2007 results, both available on the ABN AMRO website at www.abnamro.nl. ABN AMRO has not published interim financial statements for the nine months ended September 30, 2007. The information derived from such reports has been accurately reproduced. Although the Consortium Banks (as defined herein) have declared their offer for ABN AMRO to be unconditional and now acquired 98.8% of the ABN AMRO Shares, the members of the Consortium, including Fortis, have only recently gained limited access to additional ABN AMRO information. As access remains limited, the information included herein remains based on the information derived from the publicly available sources as described above. Based on the limited information Fortis has received to date, Fortis has no knowledge that would indicate that any statements contained in this Prospectus based upon information contained in such reports are inaccurate, incomplete or untrue. Fortis was not involved in the preparation of such reports and, therefore, cannot verify the accuracy, completeness or truth of the information obtained from such reports or any failure by ABN AMRO to disclose events that may have occurred, but that are unknown to Fortis, that may affect the significance or accuracy of the information contained in such reports. Fortis is not aware, as far as it has been able to ascertain from information published by ABN AMRO in such reports or through the limited additional information that has been received to date, that any facts have been omitted which would render the reproduced information inaccurate or misleading. Such reports are not to be considered part of this Prospectus and are not incorporated by reference herein.

In addition, given that ABN AMRO does not disclose detailed financial information regarding the ABN AMRO Businesses (as defined below) to be acquired by Fortis and has provided Fortis only with limited access to ABN AMRO's accounting records, Fortis does not have the information necessary to verify certain adjustments and assumptions independently, and therefore was not able to verify such adjustments and assumptions, with respect to ABN AMRO's financial information in preparing the pro forma and combined financial information and synergy and cost saving information presented in this Prospectus. In particular, certain financial and other information with respect to the ABN AMRO Business Unit Netherlands in this Prospectus includes estimates based on ABN AMRO's 2005 publicly reported information as ABN AMRO did not report separate information at the same level of detail for this Business Unit in 2006. Any financial information regarding ABN AMRO that may be detrimental to Fortis (including information relating to the ABN AMRO Businesses Fortis is acquiring upon completion of the transaction) and that has not been publicly disclosed by ABN AMRO, or misapprehensions in Fortis' estimates due to limited access to ABN AMRO, may have an adverse effect on the benefits Fortis expects to achieve in the transaction as well as result in material inaccuracies in the illustrative financial information and synergy and cost saving information included in this Prospectus. Fortis may be subject to liabilities of ABN AMRO of which it is currently not aware. These liabilities may have an adverse effect on Fortis' profitability, results of operations and financial position.

FORWARD-LOOKING INFORMATION

There are statements in this Prospectus, such as statements that include the words or phrases "will likely result", "are expected to", "will continue", "is anticipated", "estimate", "project", or similar expressions, that are "forward-looking statements". These statements are subject to certain risks and uncertainties. Actual results may differ materially from those suggested by these statements due to risks or uncertainties associated with Fortis' expectations with respect to, among others, its market risk evaluations or potential acquisitions, potential cost and revenue synergies associated with acquisitions, or with respect to expansion and premium growth and investment income or cash flow projections and, more generally, to general economic conditions, including changes in interest rates and the performance of the financial markets, changes in domestic and foreign laws, regulations and taxes, changes in competition and pricing environments, regional or general changes in asset valuations, the occurrence of significant natural disasters, the inability to reinsure certain risks economically, the adequacy of technical provisions, as well as general market conditions, competition, pricing and restructurings, uncertainties over the acquisition of the ABN AMRO Businesses (the "**ABN AMRO Acquisition**") and the integration of those ABN AMRO Businesses into Fortis and the costs and liabilities related to such an acquisition. See "*Risk Factors*" for further discussion of risks and uncertainties that could impact the Fortis Group's business.

These forward-looking statements are not guarantees of future performance. Rather, they are based on current views and assumptions and involve known and unknown risks, uncertainties and other factors, many of which are outside the control of Fortis and are difficult to predict, that may cause actual results or developments to differ materially from any future results or developments expressed or implied from the forward-looking statements. Factors that could cause actual results to differ materially from those contemplated by the forward-looking statements include, among other factors:

- costs (including taxes) or difficulties related to the integration of acquisitions, including the acquisition of ABN AMRO and the ABN AMRO Businesses, may be greater than expected;
- the risk of unexpected consequences resulting from acquisitions, including the acquisition of ABN AMRO and the ABN AMRO Businesses;
- our ability to achieve revenue synergies and cost savings from the integration of the ABN AMRO Businesses and related assets;
- any change-of-control provisions in ABN AMRO's agreements that might be triggered by the transactions described in this Prospectus;
- the potential exposure of Fortis and ABN AMRO to various types of market risks, such as interest rate risk, foreign exchange rate risk and commodity and equity price risk. Such statements are subject to risks and uncertainties. For example, certain of the market risk disclosures are dependent on choices about key model characteristics and assumptions and are subject to various limitations. By their nature, certain of the market risk disclosures are only estimates and, as a result, actual future gains and losses could differ materially from those that have been estimated;
- general economic conditions in the European Union, in particular in Belgium and The Netherlands, and in other countries in which we or ABN AMRO have significant business activities or investments, including the United States;
- the monetary and interest rate policies of central banks, in particular the Dutch Central Bank, the European Central Bank, the Board of Governors of the U.S. Federal Reserve System, the Bank of England, and other G-7 central banks;
- changes or volatility in interest rates, foreign exchange rates (including the sterling/U.S. dollar and Euro/U.S. dollar rates), asset prices, equity markets, commodity prices, inflation or deflation;
- the effects of competition and consolidation in the markets in which we or ABN AMRO operate, which may be influenced by regulation, deregulation or enforcement policies;

- tax consequences of restructuring;
- changes in consumer spending and savings habits, including changes in government policies which may influence investment decisions;
- changes in applicable laws, regulations and taxes in jurisdictions in which we and ABN AMRO operate, including the laws and regulations governing the structure of the transactions described in this Prospectus, as well as actions or decisions by courts and regulators;
- natural and other disasters;
- the inability of Fortis or ABN AMRO to hedge certain risks economically;
- the adequacy of our or ABN AMRO's impairment provisions and loss reserves;
- technological changes; and
- the success of Fortis and/or ABN AMRO in managing the risks involved in the foregoing.

We caution that these statements are further qualified by the risk factors disclosed in this Prospectus that could cause actual results to differ materially from those in the forward-looking statements. See "*Risk Factors*" beginning on page 34. Without prejudice to our obligations under Belgian law in relation to disclosure and ongoing information, we undertake no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

The statements relating to the revenue synergies, costs savings and business growth opportunities Fortis expects to achieve following the transactions are based on assumptions. However, these expected revenue synergies, cost savings and business growth opportunities may not be achieved. There can be no assurance that we will be able to implement successfully the strategic and operational initiatives that are intended.

The prospective financial information included in this Prospectus, in the summary and in the "*Information About the ABN AMRO Acquisition — Combination with the ABN AMRO Businesses*", "*— Business rationale of the ABN AMRO Acquisition*" and "*— Overview of the integration process*" sections below has been prepared by, and is the responsibility of, Fortis' management. PricewaterhouseCoopers Reviseurs d'Entreprises SCCRL and KPMG Accountants N.V. have neither examined nor compiled the prospective financial information and, accordingly, PricewaterhouseCoopers Reviseurs d'Entreprises SCCRL and KPMG Accountants N.V. do not express an opinion or any other form of assurance with respect thereto. The auditors' reports incorporated by reference in this Prospectus relate to the Fortis' historical financial information. They do not extend to the prospective financial information and should not be read to do so.

This prospective financial information was not prepared with a view to complying with published guidelines of the SEC or the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information.

Some figures in this Prospectus may not sum due to rounding. Some percentages in this Prospectus have been calculated using unrounded figures.

Parts of this Prospectus contain information regarding European Embedded Value ("**EEV**"), Annual Premium Equivalent ("**APE**"), Value Added by New Business ("**VANB**"), Present Value of New Businesses Premiums ("**PVNBP**") and other banking- and insurance- specific measures and other financial information that are sometimes used by investors to evaluate the performance of companies in the banking and insurance sectors. The financial information included in this Prospectus is not intended to comply with SEC or other specific reporting requirements. Compliance with such requirements would require the modification or exclusion of some of these financial measures. EEV, APE, VANB, PVNBP and such other financial information included herein are industry measures and investors should not consider such items as alternatives to the applicable GAAP measures.

These alternative financial measures are explained in detail in this Prospectus and investors should review such explanations to understand fully how they have been prepared. In particular, an investor should not consider EEV, APE, VANB, PVNBP or such other financial information as measures of the Fortis Group's financial performance or liquidity under IFRS or U.S. GAAP or as an alternative to profit for the period, operating profit or any other performance measures derived in accordance with IFRS or U.S. GAAP.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents which have previously been published and have been filed with the Luxembourg Stock Exchange shall be incorporated in, and form part of, this Prospectus:

Financial Statements of Fortis for the Financial Years ended December 31, 2006, 2005 and 2004

(a) the audited Consolidated Financial Statements of Fortis prepared in accordance with IFRS for the financial years ended December 31, 2006 and 2005 (the "**2006 Consolidated Financial Statements**") (including the 2006 statutory auditors' report).

(b) the audited Consolidated Financial Statements of Fortis prepared in accordance with IFRS for the financial years ended December 31, 2005 and 2004 (including the 2005 statutory auditors' report).

(c) the consolidated financial statements of Fortis prepared in accordance with the applicable legal and regulatory requirements in Belgium for the financial year ended December 31, 2004 (including the 2004 statutory auditors' report).

Financial Statements of Fortis for the Nine Months ended September 30, 2007 and 2006

(a) the unaudited Consolidated Interim Financial Statements of Fortis prepared in accordance with IFRS for the nine-months ended September 30, 2007 and 2006.

Financial Statements of Fortis Bank for the Financial Years ended December 31, 2006 and 2005

(a) the audited consolidated financial statements of Fortis Bank prepared in accordance with IFRS for the financial years ended December 31, 2006 and 2005 (including the statutory auditors' report with respect thereto).

Any other information not listed above but contained in such documents is incorporated by reference for information purposes only.

Copies of the documents incorporated by reference in this Prospectus can be obtained from the principal executive offices of each Parent Company (Fortis SA/NV, Rue Royale 20, 1000 Brussels, Belgium; Fortis N.V., Archimedeslaan 6, 3584 BA Utrecht, The Netherlands), from the offices of Fortis Bank at Montagne du Parc 3, 1000 Brussels, Belgium, from Fortis's website at *www.fortis.com/Shareholders/annualreports.asp* and from the specified office of the paying agent for the time being in Luxembourg.

This Prospectus and the documents incorporated by reference will be available for viewing at *www.bourse.lu* upon approval of this Prospectus by the Luxembourg Stock Exchange. Fortis can be contacted by telephone on +31(0) 30 226 6222.

SUMMARY

This summary highlights information contained elsewhere in this Prospectus. This summary is not complete and does not contain all of the information that may be important to you. You should read the entire Prospectus, including all of the financial statements and related notes, before making an investment decision. A glossary of selected insurance and banking terms used in this summary and elsewhere in this Prospectus can be found in this Prospectus under "Glossary".

Issuer and Co-obligor

Fortis Bank is a company incorporated with limited liability (*naamloze vennootschap/société anonyme*) and a bank incorporated under the laws of Belgium and is registered with the register of legal entities under enterprise number 0403.199.702. Fortis Bank's registered office is at Montagne du Parc 3, 1000 Brussels, Belgium and its telephone number is +32(0)2 565 1111.

Co-obligors

Fortis N.V.

Fortis N.V. is a public company with limited liability incorporated under the laws of The Netherlands, with its registered office at Archimedeslaan 6, 3584 BA Utrecht, The Netherlands, and registered with the Trade Register at the Chamber of Commerce of Utrecht under number 30072145.

Fortis SA/NV

Fortis SA/NV is a public company with limited liability incorporated under the laws of Belgium, with its registered office at Rue Royale 20, 1000 Brussels, Belgium, and registered with the register of legal entities under enterprise number 0451.406.524.

Fortis Bank and Fortis Bank Group

Fortis Bank Group delivers a comprehensive package of financial products and services through its own distribution channels and via intermediaries and other partners.

Fortis Bank is one of the 20 largest banks in Europe based on assets as of December 31, 2006. Fortis Bank Group offers a wide range of retail banking, commercial banking, corporate banking, private banking, investment banking and asset management services in the Benelux countries. Fortis Bank Group offers a more selective range of financial products in other European countries and in certain Asia/Pacific and African countries as well as in the United States.

Fortis Bank Group's home market is the Benelux, one of Europe's wealthiest regions, where it occupies a leading position in each of its principal business segments. Fortis Bank Group's retail banking operations are a market leader in the Benelux region and, building on that leadership, Fortis Bank Group has developed an integrated, European-wide network to serve its international client base. It uses the same expertise it has developed in its home market to provide high net worth individuals, enterprises and entrepreneurs with advanced financial services tailored to their specific needs.

Fortis Bank Group also operates successfully worldwide in selected activities, such as fund administration, trade finance, shipping finance, export and project finance and global markets.

As of January 1, 2007 Fortis reorganized its banking business, integrating its three banking business lines into two business units; Retail Banking and Merchant & Private Banking (which combined the Merchant Banking and Commercial & Private Banking business lines into a single business unit).

As a result of these organizational changes (effective as of January 1, 2007) Fortis Bank Group is principally organized along the following business lines:

- *Retail Banking:* provides financial services to individuals, professionals and small businesses.
- *Merchant & Private Banking:* offers tailored financial products and skill-oriented services to large international companies and institutions, Europe-oriented medium-sized enterprises and entrepreneurs, and private banking clients.

Fortis Bank Group's third-party asset management activities are part of Fortis Bank's Retail Banking business. Fortis Bank Group believes its Benelux asset management operations are number two in the Benelux based on assets under management at December 31, 2006.

At June 30, 2007, Fortis Bank Group had consolidated assets of EUR 814,851 million. Net profit attributable to shareholders for the six months ended June 30, 2007 of the Fortis Bank Group was EUR 2,066 million, with total net interest income of EUR 2,655 million.

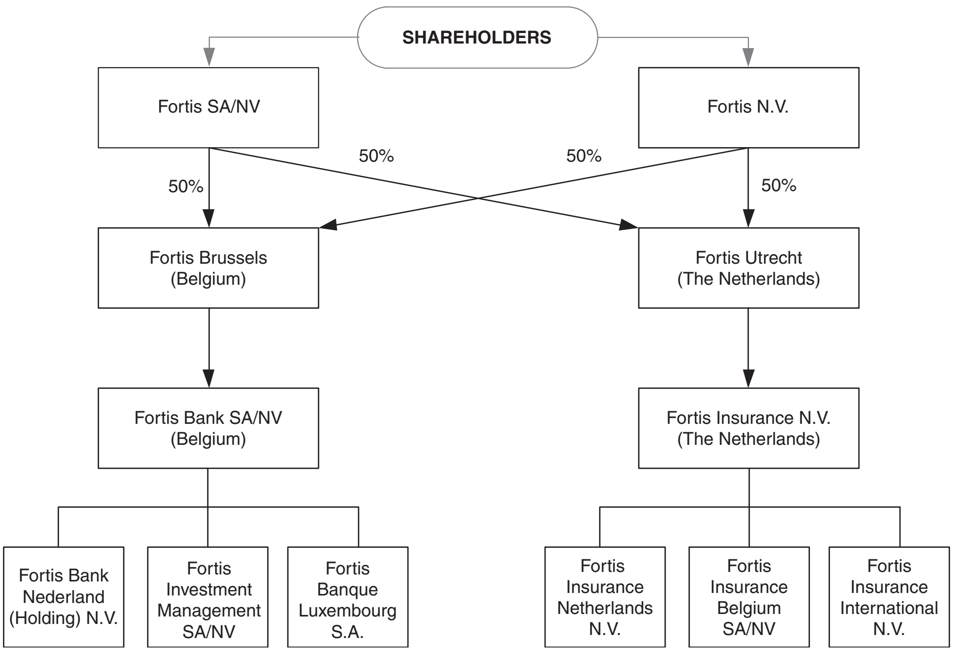
Fortis Group

Fortis N.V. and Fortis SA/NV are the parent companies of the Fortis Group. Fortis Group was created in 1990 when the activities of AG Group (the predecessor of Fortis SA/ NV), a large Belgian insurer and AMEV/VSB (the predecessor of Fortis N.V.) combined their respective operations. AMEV, a large Dutch insurer, and VSB, a medium-sized Dutch savings bank, merged earlier that year. The Parent Companies have remained separate legal entities. Since the merger, the operating businesses of Fortis have been managed together.

The Fortis Share, which was created after a unification process which was completed in December 2001, represents the twinned shares of Fortis SA/NV and Fortis N.V. The Fortis Share is listed on the Eurolist of Euronext Brussels and the Eurolist of Euronext Amsterdam. Fortis also has a secondary listing on the EU Regulated Market of the Luxembourg Stock Exchange and a sponsored over-the-counter ADR program in the United States.

As part of the unification process, Fortis implemented a number of mergers and other legal steps. The operating companies of the Fortis Group are owned by Fortis Bank SA/NV (principally banking and asset management) and Fortis Insurance N.V. (principally insurance). Fortis's banking operations, which include its asset management operations, and Fortis's insurance operations contributed approximately 72% and 33%, respectively, to net profit for 2006. The general segment (which consists of group treasury and finance and other holding activities) reduced net operating profit by approximately 5% in 2006.

The diagram below summarizes the legal structure of Fortis as of September 30, 2007 and shows Fortis Bank's place in the legal structure.



Overview

Fortis is an international provider of banking and insurance products and services to personal, business and institutional customers through its own distribution channels and via intermediaries and other partners.

In its home market, the Benelux countries, Fortis occupies a leading position in each of its principal business segments, banking and insurance. Fortis's retail banking operations are a market leader in the Benelux region — one of Europe's wealthiest regions. Building on that leadership, Fortis has developed an integrated, European-wide network to serve its international client base. The same expertize it has developed in its home market is used to provide high net worth individuals, enterprises and entrepreneurs with advanced financial services tailored to their specific needs. Fortis also operates worldwide in selected activities, such as fund administration, trade finance, shipping finance, export and project finance and global markets.

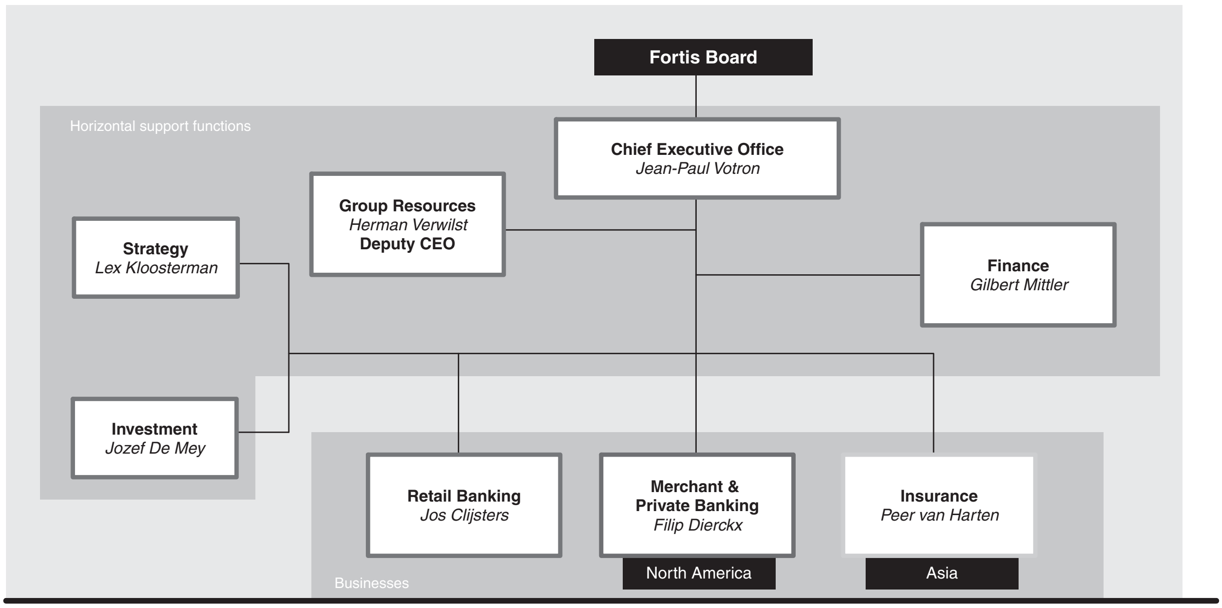
With total assets of EUR 775.2 billion and total equity of EUR 20.6 billion at December 31, 2006 (at September 30, 2007, respectively, EUR 875.8 billion and EUR 20.3 billion),[1] Fortis ranks among the 20 largest financial institutions in Europe based on market capitalization.[2] With its sound solvency position, broad risk spread and the extensive expertise of its approximately 57,000 employees (full time equivalents) as of December 31, 2006 (approximately 62,000 at September 30, 2007), Fortis combines an international presence with local flexibility to provide strong support to its customers. As at December 31, 2006, Fortis core equity[3] was EUR 19,532 million and total capital[4] was EUR 31,781 million (at September 30, 2007, respectively EUR 21,403 million and EUR 34,551 million)[1], largely exceeding the minimum regulatory solvency requirements of Fortis (EUR 22,898 million at December 31, 2006 and EUR 26,005 million at September 30, 2007).[3]

Fortis Management Structure

The management structure of Fortis provides unity of management within Fortis and contributes to management efficiency. This structure can be summarized as follows:

- one board, with the boards of directors of Fortis SA/NV and Fortis N.V. composed of the same members with the Chief Executive Officer and the Deputy CEO as the only two board members holding an executive position;
- one Chief Executive Officer;
- one Executive Committee (to be renamed "Group Executive Committee" as of January 1, 2008), chaired by the Chief Executive Officer responsible for the day-to-day operations of Fortis, with members having overall responsibility for the businesses and support functions of Fortis; and
- from January 1, 2008, one Business Executive Committee, with members assisting the Group Executive Committee and responsible for their respective business and support functions.

The diagram below outlines Fortis's management structure as of the date of this Prospectus. See "*Management*" for additional information regarding changes to Fortis's management structure being implemented from January 1, 2008.



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[1] The figures at September 30, 2007 are unaudited.

[2] Source: Bloomberg December 31, 2006.

[3] Fortis core equity includes equity capital and reserves and required deductions from core equity. See also "*Operating and* Financial *Review and Prospects — Liquidity and Capital Resources — Group Solvency"* regarding solvency.

[4] Total capital includes equity capital, reserves and supplementary capital elements and required deductions from total capital. See also "*Operating and Financial Review and Prospects — Liquidity and Capital Resources — Group Solvency*" regarding solvency.

All managers shown in the table above are members of Fortis's Executive Committee.

Fortis Operating Structure

Prior to January 1, 2007, Fortis organized its activities between six business lines, three in each segment. Within Banking, the business lines were Retail Banking, Commercial & Private Banking and Merchant Banking. Within insurance the business lines were Insurance Belgium, Insurance Netherlands and Insurance International. Each business line had its own business head that was a member of the Executive Committee.

As of January 1, 2007, Fortis has reorganized its activities into three core businesses:

Retail Banking: provides financial services to individuals, professionals and small businesses.

Merchant & Private Banking: offers tailored financial products and skill-oriented services to large international companies and institutions, to Europe-oriented medium-sized enterprises and entrepreneurs, and to private banking clients.

Insurance: provides life and non-life products in our home markets of Belgium and The Netherlands and in selected European and Asian markets.

Fortis's businesses are supported by the following support functions:

Group Resources. This function includes Technology, Operations & Process Services (TOPS), Human Resources, Facilities and Purchasing.

Finance. This function includes Performance Management, Consolidation & Accounting, Group Development & Acquisitions, Tax and Reporting, Ratings, Structuring & Capital Management.

Strategy. This function includes Strategy, Investor Relations, Global Branding & Communications, Public Affairs, CSR and Fortis Investments.

Risk. This function includes Risk, Legal, Compliance, Investigations and Customer & Management Processes. A key objective is to enhance risk strategies and further develop the risk function across Fortis. It will also drive the businesses and support functions to improve quality of processes.

Investment. This function includes Asset & Liability Management (ALM) which has been established to enhance Fortis-wide synergies in this area and to optimize return on assets.

As per Fortis's management structure, each core business and support function is managed by a member of the Executive Committee.

Competitive Strengths

Fortis believes that there are certain characteristics that set it apart from its competitors in its core Benelux markets and which contribute generally to its strength. Fortis believes these characteristics will be reinforced by the ABN AMRO Businesses (as defined in "*— Recent Developments — ABN AMRO Acquisition*" below) it acquired as a result of the ABN AMRO Acquisition (as defined in "*— Recent Developments — ABN AMRO Acquisition*" below), and intends to build upon them following the acquisition:

- A unique position in an attractive Benelux market, the fifth largest market for financial services in Europe.[5]
- One of the largest banking and insurance financial institutions in the Benelux.[6]
- Successful management of multiple distribution channels, including a unified cross-border distribution network focusing on medium-sized enterprises and delivering high levels of private banking services.
- Proven ability to create value through cross-border combinations of banking activities and through a strong bancassurance operating model.
- Strong expertise in broker management.
- A strong track record in insurance joint ventures.
- A proven ability to develop profitable niches within its international banking business.

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[5] Source: The Banker July 2007, based on total assets 2006.

[6] Source: Assuralia (http://www.assuralia.be, section: cijfergegevens/chiffres utiles), year 2005 and Assurantie Magazine (AM Jaarboek 2006 based on DNB numbers) based on premium income 2005.

- Highly diversified portfolio of banking and insurance activities.
- Sound and disciplined cost management.
- High ratings and a strong solvency position.

Strategic Direction

Mission

Fortis aims to be one of Europe's most dynamic and sustainable financial services brands by delivering specialized, innovative and pragmatic customer solutions across a network of channels and by leveraging its operational and entrepreneurial expertise. Fortis believes that its acquisition of the ABN AMRO Businesses (as defined below) will strongly support these aims.

Strategic Targets

- Strong focus on organic growth.
- Seize non-organic growth opportunities such as acquisitions and strategic partnerships in order to accelerate growth plans.
- Sharpened customer focus as key to sustainable and profitable growth.
- Continued intended commitment to increase non-Benelux net profit share to at least 30% by 2009 (21% in 2006).
- Continue to pursue efficient cost management.
- Strengthen and develop Fortis's position as a leading, Benelux-based financial services provider.

Main elements of Fortis growth strategy

- Strengthen our competitive position in established markets or client/product segments by focusing on the customer and optimizing cross-selling opportunities.
- Enhance our support functions ('enablers') to increase efficiency and facilitate controlled growth.
- Roll out our core competencies built in the Benelux to new markets.
- Accelerate growth through smart acquisitions.
- Concentrate on Europe while pursuing selective growth in Asia and North America.

Recent Developments

ABN AMRO Acquisition

On May 29, 2007, Fortis, RBS and Santander (collectively, the "**Consortium Banks**") announced the terms of their proposed offer (the "**Proposed Offer**") for 100% of the issued and outstanding share capital of ABN AMRO.

The Proposed Offer was subject to certain conditions and pre-conditions, including that the Dutch Supreme Court upheld the preliminary ruling of the Dutch Enterprise Chamber that the Purchase and Sale Agreement dated as of April 22, 2007, between Bank of America and ABN AMRO in respect of ABN AMRO North America Holding Company, the holding company for LaSalle Bank Corporation (the "**Bank of America Agreement**") must be approved by ABN AMRO shareholders by the requisite vote in a general meeting. In these circumstances, the Proposed Offer was to be conditional upon, among other things, ABN AMRO shareholders having failed to approve the Bank of America Agreement.

On July 13, 2007, the Dutch Supreme Court overturned the ruling of the Dutch Enterprise Chamber permitting ABN AMRO to complete the sale of LaSalle Bank Corporation to Bank of America under the Bank of America Agreement without seeking the approval of the ABN AMRO shareholders. ABN AMRO stated its intention to proceed with the sale (which was completed on October 1, 2007). Notwithstanding this development, on July 16, 2007 the Banks confirmed their intention to proceed with a revised offer for ABN AMRO. Following receipt of the required regulatory clearances, RFS Holdings BV ("**RFS**" or "**RFS Holdings**") a company jointly owned by the Banks, on July 23, 2007, launched a formal offer for 100% of the issued and outstanding share capital of ABN AMRO Holding N.V. (the "**ABN AMRO Offer**"), with the initial offer period running to October 5, 2007 (the "**Offer Period**"). The ABN AMRO Offer consideration payable by RFS Holdings in the aggregate amounts to approximately EUR 71.1 billion.[7] For each ABN AMRO ordinary share tendered, RFS Holdings paid:

- EUR 35.60 in cash, without interest; and
- 0.296 newly issued RBS ordinary shares, nominal value £0.25 per share.

RFS is controlled by RBS and, following the successful outcome of the ABN AMRO Offer, acquired ABN AMRO. In due course RFS will implement an orderly separation of the business units of ABN AMRO through a Consortium and Shareholders Agreement which governs the relationship among the Banks and RFS with respect to the ABN AMRO Offer and the transfer of the ABN AMRO Businesses (as defined below). As a result of the ABN AMRO Offer, Fortis will acquire the ABN AMRO Businesses (the "**ABN AMRO Acquisition**"), for a consideration of €24.0 billion, representing 33.8% of the total consideration payable in the ABN AMRO Offer.

To finance its acquisition of the ABN AMRO Businesses, Fortis raised €13 billion of new equity financing via a rights issue (the "**Rights Offer**"). Fortis is financing its remaining portion of the ABN AMRO Offer consideration as follows:

- EUR 2 billion from the sale on July 11, 2007 of Conditional Capital Exchangeable Notes exchangeable into Mandatory Convertible Securities; and
- EUR 9.5 to 11.0 billion from the proceeds of a combination of (i) the issue of other Tier 1 capital instruments (approximately EUR 3.0-5.0 billion), including the proceeds of this Offering; (ii) the sale of specific non-core assets (approximately EUR 2.5 billion); (iii) sale of shared assets of the Consortium (approximately EUR 2.0 billion); and (iv) securitization and other similar transactions (approximately 2.0 billion).

In this respect, Fortis announced on July 12, 2007 that EUR 1.6 billion (sale price) of such an amount had been raised, representing a capital relief of EUR 1.2 billion due to the decrease in the risk weighted assets, by divesting various assets and shareholdings in European financial institutions. This amount includes the proceeds (EUR 980 million) from the sale by Fortis, announced on July 11, 2007, of its share in the joint venture CaiFor to its Spanish partner "la Caixa". This transaction closed on November 13, 2007.

The Rights Offer was made to the public in Belgium, The Netherlands and Luxembourg and, subject to the satisfaction of certain conditions, in private placements to institutions in other jurisdictions. Existing Fortis shareholders and persons who acquired rights in the Rights Offer during the subscription period acquired new Fortis shares at the subscription price of €15 per new share (existing shareholders acquired the right to subscribe to two new Fortis shares for every three existing Fortis shares held as of September 24, 2007). The Rights Offer closed on October 11, 2007 and 100% of the new shares offered were subscribed.

On October 3, 2007, Fortis received approval from the European Commission for the acquisition of the ABN AMRO Businesses upon the successful completion of the ABN AMRO Offer. Such approval was conditional upon Fortis selling a portion of the ABN AMRO Businesses following their acquisition as a result of the ABN AMRO Offer (the "**Divestment**"). The Divestment represents approximately 10% of the ABN AMRO Business Unit Netherlands in terms of assets, income and projected revenue and cost synergies.

On October 8, 2007, the Banks announced that, as of the expiration of the Offer Period, 1,590,339,614 ABN AMRO ordinary shares, representing approximately 86% of ABN AMRO's share capital, had been tendered in the Offer. This satisfied the minimum acceptance condition.

On October 10, 2006, the Banks declared the Offer unconditional. In accordance with normal practice in The Netherlands, the Banks provided a subsequent offer period (the "**Subsequent Offer Period**") to allow ABN AMRO shareholders who had not yet accepted the ABN AMRO Offer to tender their ABN AMRO shares for the same consideration and pursuant to the same terms described in the documents relating to the ABN AMRO Offer; the Subsequent Offer Period started on October 11, 2007 and ended on October 31, 2007. On completion of the Subsequent Offer Period, RFS Holdings had acquired 98.8% of ABN AMRO's share capital.

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[7] Based on undiluted number of shares of ABN AMRO as at December 31, 2006, a price of RBS shares of 568 p. at the close of business on August 30, 2007, as listed on the London Stock Exchange Daily Official List on August 30, 2007 and an exchange rate of EUR 1.00 per £0.6767 as published in the *Financial Times* on August 30, 2007. On a fully diluted basis, the ABN AMRO Offer consideration amounted to EUR 73 billion.

Information in respect of each of the ABN AMRO Businesses is set out below, based on publicly available information and limited information provided to Fortis by ABN AMRO.

Plans for the ABN AMRO Businesses

With the successful completion of the ABN AMRO Offer, RFS Holdings has acquired ABN AMRO and ABN AMRO will be governed and reorganized as contemplated by the Consortium and Shareholders' Agreement among the Consortium Banks. As a result of the completion of the ABN AMRO Offer, Fortis holds shares in RFS Holdings that equal its proportionate funding commitment (33.8%) for the ABN AMRO Offer consideration and the capital and income rights of shares issued to each of the Consortium Banks are linked to the net assets and income of the respective ABN AMRO Businesses that each of them will acquire following the reorganization of ABN AMRO. Following the reorganization, Fortis will acquire:

- the ABN AMRO Business Unit Netherlands (excluding the former Dutch wholesale clients, Interbank, DMC Consumer Finance, as well as certain assets including Hollandsche Bank Unie N.V. proposed to be divested by Fortis following the acquisition of the ABN AMRO Businesses as described further in this summary and in the cautionary statement at the beginning of the "Information About the Acquisition of ABN AMRO" section of the Prospectus),
- the ABN AMRO Business Unit Private Clients globally,
- the ABN AMRO Business Unit Asset Management globally, and
- the ABN AMRO brand name (collectively, the "**ABN AMRO Businesses**").

During the reorganization period, the Consortium Banks, through their ownership in RFS Holdings, will retain a shared economic interest in all central functions (including Head Office functions) that provide support to ABN AMRO's Businesses. The Consortium Banks will also retain shared economic interests, through their ownership in RFS Holdings, in certain assets and liabilities of ABN AMRO which the Banks regard as non-strategic. These include ABN AMRO's private equity portfolio, its stakes in Capitalia and Saudi Hollandi, and Prime Bank. These are expected to be disposed of over a period of time with a view to maximising value.

Combination with the ABN AMRO Businesses

The following discussion is based on publicly available information regarding the ABN AMRO Businesses and estimates and assumptions regarding the synergies, cost savings and business growth opportunities Fortis expects to achieve following the completion of the acquisition of the ABN AMRO Businesses as well as assumptions regarding the comparability of Fortis and ABN AMRO information. There can be no assurance as to the accuracy, completeness or truth of the ABN AMRO information or the estimates and assumptions upon which these synergies, cost savings and business growth opportunities are based. In addition, actual synergies, cost savings and business growth may differ from those that Fortis expects to achieve. In particular, certain financial and other information with respect to the ABN AMRO Business Unit Netherlands in this Prospectus includes estimates based on ABN AMRO's 2005 publicly reported information as ABN AMRO did not report separate information at the same level of detail for this Business Unit in 2006. In addition, there can be no assurance that Fortis will be able to successfully implement the strategic or operational initiatives that are intended or that the combined information presented is an indication of future results. See also "Information Regarding ABN AMRO", "Risk Factors" and "Forward-Looking Statements".

The following discussion is further based on certain assumptions in respect of certain divestment measures to be implemented by Fortis following the acquisition of the ABN AMRO Businesses (the "Divestment"), as further described in the Cautionary Statement to the "Information About the Acquisition of ABN AMRO" section of the Prospectus.

The successful combination of Fortis and the ABN AMRO Businesses is expected to create a top European financial institution. Based on pro forma 2006 published data, the combined businesses would have more than 80,000 employees worldwide, more than 10 million customers in the Benelux alone, revenues of EUR 16.4 billion, total net profit of more than EUR 5.5 billion (which is among the top five in the Euro area), 2,500 retail branches and 145 business centres across Europe.

The combination resulting from Fortis and the ABN AMRO Businesses will enjoy pre-eminent positions in all major market segments in the Benelux.

- *Leading positions in The Netherlands.*[8] This transaction is truly transformational and a unique opportunity for Fortis to cement its position as a leading financial institution in The Netherlands. The new combined group is expected to occupy a leading position in Retail Banking (No. 3 based on retail banking assets and main bank relationships), Commercial Banking (No. 1 based on number of main bank relationships) and Private Banking (No. 1 based on assets under management). Based on 2006 data, the combined businesses would have had total revenues of EUR 5.12 billion and net profit of EUR 1.027 billion in The Netherlands.
- *A Leading European Private Bank.*[9] Fortis and ABN AMRO's combined private bank would be the third largest European private bank with more than EUR 200 billion in assets under management ("**AuM**") globally, based on 2006 data. With one integrated network and a large European and Asian footprint, the combined private bank will be positioned to be the service provider of choice for high net worth clients and ultra high net worth clients, based on a dedicated, broad and differentiated service offering. Based on pro forma 2006 data, the combined private banking businesses would have had total revenues of EUR 2,092 million and net profit of EUR 456 million.
- *Top-tier Asset Management.*[10] The combined businesses would also be a top-tier European asset manager, with more than EUR 300 billion in AuM globally based on 2006 data making it the twelfth largest in Europe. The combined asset management business is expected to benefit from a larger geographic footprint and enhanced offering to third-party distributors, leveraging on a wide, innovative and well-performing product range. The combined product range is anticipated to reach top quartile position across many asset classes and achieve scale in core growth products. Based on 2006 data, the combined asset management businesses would have had total revenues of EUR 1,092 million and net profit of EUR 236 million.

Fortis believes that the acquisition will allow it to accelerate its strategy to become one of Europe's most dynamic and sustainable financial services providers, helping it to grow its businesses in "Enlarged Europe", and selectively in Asia and North America.

In addition, Fortis believes that its acquisition of the ABN AMRO Businesses will create substantial synergies. The expected pre-tax synergies are estimated at EUR 1.3 billion, 87% on the cost savings side and 13% on the revenue benefit side. Fortis expects that these synergies will be realized in stages, approximately 30% in 2008, another 40% in 2009 and the remaining 30% in 2010.

Fortis intends to integrate the ABN AMRO Businesses over a 36-month period, focusing on, amongst others, the identification and mitigation of all relevant integration risks. During the integration process, Fortis will focus on ensuring minimal disruption for clients. Fortis expects the total integration costs to be EUR 1.54 billion.

The following table sets out the benefits that Fortis expects to gain within three years of completion of the transaction as a result of the integration of the ABN AMRO Businesses. For further information about the plans, proposals, estimates and assumptions of Fortis for achieving these benefits, see the "*Information About the Acquisition of ABN AMRO — ABN AMRO Offer*" and "*— Plans for the ABN AMRO Businesses*" sections of the Prospectus.

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[8] Source: Greenwich Associate 2007 based on, amongst others, Credit impact on Domestic and Overall International Cash Management Relationships (2006) and Overall Relationship Performance (2006) (Greenwich Quality Index Score), TOF (*Totaal Onderzoek Financiële Diensten*) *Particulier* 2006 (2-yearly survey on the retail banking sector in The Netherlands) based on consumer credits, customer cards, investment funds, mortgages, etc., all cross-checked against the overall market data available in reports by the DNB on the Dutch market and in annual accounts.

[9] Source: Publicly available information: annual accounts 2006.

[10] Source: Global Investor Magazine based on total third party assets under management 2006.

Figures Before Tax	Estimated Cost Savings per Annum by End of 2010	Estimated Revenue Synergies per Annum by End of 2010
	(EUR million)	
Dutch Retail Business[11]	295-300	45-50
Dutch Commercial Business[12]	80-85	5-10
Private Banking	160	43
Asset Management	145	15
Central Functions	414	54
Total	**1,094-1,104**	**162-172**

Allowing for the acquisition of the ABN AMRO Businesses, Fortis Bank's Tier 1 capital ratio is expected to evolve close to 6.7% after the successful completion of the reorganization of ABN AMRO. After the acquisition, Fortis intends to maintain its previously announced solvency target (i.e. Tier 1 capital ratio at 7%). This projection considers that the acquisition, the financing, the reorganization and the separation of the ABN AMRO Businesses, the sale of non-core assets and other capital relief transactions are fully executed. After the successful completion of the reorganization of ABN AMRO and in a situation of full consolidation, the total goodwill will be deducted from Tier 1 capital.

Based on Fortis' forecasts for business growth and transaction benefits, the acquisition is expected to lead to a 2.7%12 accretion in cash earnings per share in 2010 and to produce a return on investment on a cash basis of 11.1% in 2010. The foregoing is based on the assumption that the proceeds of the Divestment will be used to reduce the core capital as appropriate. These calculations take into account the capital requirements of the organic growth plan for the 2006-2011 period and were calculated on the basis of the current solvency framework (Basel II and Solvency II were not taken into account).

Ping An Group

On November 29, 2007 Fortis SA/NV and Fortis N.V. and Ping An Insurance (Group) Company of China, Ltd. ('**Ping An Group**") jointly announced that, as at close of trading on Euronext Amsterdam and Euronext Brussels on November 28, 2007, Ping An Life Insurance Company of China Ltd., a subsidiary of Ping An Group, owned approximately 4.18% of Fortis Shares.

In line with its strategy to grow outside of the Benelux, and recognizing the increasing importance of the Asian markets, the Fortis Board of Directors has invited Louis CHEUNG Chi Yan, Executive Director & Group President of Ping An Group, to become a member of the Fortis Board, upon approval by the General Meetings of Shareholders in April 2008.

[11] Taking into account the impact of the Proposed Development.

[12] This percentage is based on a Fortis Share price at the close of the relevant stock exchanges on September 19, 2007, is computed compared to the analyst consensus and is based on the assumption that the proceeds of the Divestment will be used to reduce the core capital as appropriate.

SELECTED FINANCIAL DATA

The following summary selected consolidated income statement and balance sheet data of Fortis, prepared in accordance with International Financial Reporting Standards (IFRS), is extracted from the 2006 Consolidated Financial Statements and the Fortis Consolidated Interim Financial Statements for the nine months ended September 30, 2007, incorporated by reference in this Prospectus.

Consolidated income statement

	Nine Months Ended September 30,		Year Ended December 31,		
	2007	2006	2006	2005	2004
	(unaudited)				
			(EUR million)		
Income					
Interest income	68,953	53,027	72,583	66,845	54,223
Insurance premiums	11,368	9,480	13,984	12,919	11,576
Dividend and other investment income	824	771	996	918	845
Share in result of associates and joint ventures	121	113	198	157	204
Realized capital gains (losses) on investments	1,318	846	1,137	1,642	1,580
Other realized and unrealized gains and losses	1,099	1,059	1,362	878	(940)
Fee and commission income	3,153	2,795	3,734	3,124	2,733
Income related to investments for unit-linked contracts	1,004	1,036	1,929	3,224	1,129
Other income	609	488	679	712	577
Total income	88,449	69,615	96,602	90,419	71,927
Expenses					
Interest expense	(63,319)	(47,510)	(65,121)	(60,227)	(47,966)
Insurance claims and benefits	(10,712)	(8,701)	(13,151)	(11,788)	(10,721)
Charges related to unit-linked contracts	(1,479)	(1,376)	(2,374)	(3,709)	(1,092)
Changes in impairments	(261)	(99)	(194)	(235)	(380)
Fee and commission expense	(1,694)	(1,460)	(1,922)	(1,615)	(1,516)
Depreciation and amortization of tangible and intangible assets	(450)	(419)	(576)	(548)	(469)
Staff expenses	(3,640)	(3,290)	(4,485)	(4,291)	(3,778)
Other expenses	(2,722)	(2,303)	(3,336)	(2,856)	(3,116)
Total expenses	(84,277)	(65,158)	(91,159)	(85,269)	(69,038)
Profit before taxation	4,172	4,457	5,443	5,150	2,889
Income tax expense	(582)	(852)	(1,030)	(1,164)	(510)
Net profit for the period	3,590	3,605	4,413	3,986	2,379
Net gain (loss) on discontinued operations	56	46	—	—	—
Net profit attributable to minority interests	67	49	62	45	26
Net profit attributable to shareholders	3,580	3,602	4,351	3,941	2,353

Consolidated balance sheet (before appropriation of profit)

	At September 30,	At December 31,		
	2007	2006	2005	2004
	(unaudited)	(EUR million)		
Assets				
Cash and cash equivalents	17,378	20,413	21,822	25,020
Assets held for trading	87,357	70,215	62,705	60,320
Due from banks	115,078	90,131	81,002	64,197
Due from customers	323,883	286,459	280,759	227,834
Investments				
Held to maturity	4,429	4,505	4,670	4,721
Available for sale	169,298	186,428	179,020	153,543
Held at fair value through profit or loss	6,270	6,600	5,127	3,391
Investment property	3,603	3,047	2,546	2,304
Associates and joint ventures	2,966	1,854	1,706	2,209
	186,566	202,434	193,069	166,168
Investments related to unit-linked contracts	31,074	28,749	25,667	16,853
Reinsurance and other receivables	11,517	9,187	9,557	6,545
Property, plant and equipment	3,953	3,522	3,197	3,133
Goodwill and other intangible assets	3,214	2,261	1,922	672
Accrued interest and other assets	95,745	61,858	49,294	43,343
Total assets	875,766	775,229	728,994	614,085
Liabilities				
Liabilities held for trading	99,735	64,308	50,562	51,483
Due to banks	183,056	177,481	175,183	121,037
Due to customers	265,193	259,258	259,064	224,583
Liabilities arising from insurance and investment contracts	64,264	59,764	56,109	48,940
Liabilities related to unit-linked contracts	31,381	29,156	26,151	17,033
Debt certificates	110,741	90,686	77,266	71,777
Subordinated liabilities	17,335	15,375	13,757	13,345
Other borrowings	4,110	2,149	1,699	2,861
Provisions	769	817	907	852
Current and deferred tax liabilities	2,808	2,733	3,629	3,464
Accrued interest and other liabilities	75,152	51,951	45,011	43,033
Total liabilities	854,544	753,678	709,338	598,408
Shareholders' equity	20,306	20,644	18,929	15,337
Minority interests	917	907	727	340
Total equity	21,223	21,551	19,656	15,677
Total liabilities and equity	875,766	775,229	728,994	614,085

	At September 30,	At December 31,		
	2007	2006	2005	2004
		(unaudited)		
Statistical data				
Group ratios				
Return on total equity(1)	21.5%	22.0%	20.4%	17.4%
Return on assets(2)	0.5%	0.6%	0.5%	0.4%
Average equity to average assets(7)	2.4%	2.6%	2.6%	2.3%
Banking data				
Tier 1 ratio	6.8%	7.1%	7.4%	8.3%
Total capital ratio	10.8%	11.1%	10.5%	11.6%
Cost income ratio(3)	60.9%	61.2%	62.3%	69.5%
Insurance data				
Embedded Value (EUR million)(4)	N.A.	12,307	10,623	9,738
Claims ratio(5)	67.0%	61.2%	61.3%	64.1%
Combined ratio(6)	99.7%	96.1%	96.0%	99.3%

(1) The net profit for the financial year as a percentage of the average total equity during that period.

(2) The net profit for the financial year as a percentage of the average assets during that period.

(3) Only used for banks. The ratio of Total expenses to Total income where the "Interest expense" and the "Fee and commission expense" are netted in calculating Total income for this ratio.

(4) Embedded Value is an estimate of the economic value of a life company, excluding any value attributed to future new business. The 2005 Embedded value has been restated for comparison purposes. See "*Glossary*" and "*Operating and Financial Review and Prospects — Insurance — European Embedded Value*".

(5) The claims ratio is the cost of claims, net of reinsurance, as a percentage of the net earned premiums, excluding the internal costs of handling non-life claims.

(6) Combined ratio: The sum of the claims ratio and the expense ratio for the non-life insurance business. Expense ratio: Only used for non-life insurance business. Expenses as a percentage of the earned premiums, net of reinsurance. Expenses are the costs plus net commissions charged to the financial year, less internal investment costs.

(7) Average equity as a percentage of average assets.

For a discussion of the important trends affecting Fortis's results of operations, see "*Operating and Financial Review and Prospects — Overview*".

The Offering

The following overview highlights important provisions of the offering. This overview is not complete and does not contain all of the information that may be important to you — you should read the entire Prospectus, including the financial statements and related notes, and the indenture relating to the securities before making an investment decision.

Issuer	Fortis Bank ("**Fortis Bank**") nv-sa.
Parent Companies	Fortis SA/NV and Fortis N.V. (the "**Parent Companies**").
Co-obligors	The Parent Companies and Fortis Bank (together, the "**Co-obligors**") shall each be parties to the Indenture governing the CASHES (the "**Indenture**"). As separate, continuing, independent and absolute obligations, each Co-obligor shall unconditionally and irrevocably agree, jointly and severally, to make or cause to be made the due and punctual performance of all of the obligations under the terms of the CASHES and the Indenture.
Securities Offered	CASHES in an aggregate principal amount of €3,000,000,000.
Issue Date	December 19, 2007
Coupons	Coupons on the CASHES shall be payable from the Issue Date quarterly in arrears on March 19, June 19, September 19 and December 19 of each year (each such date is a "**Coupon Date**"), commencing on March 19, 2008, at a variable rate per annum on the outstanding principal amount of the CASHES equal to 3-month EURIBOR (as defined in the Terms and Conditions of the CASHES) plus 2.0%, calculated on an actual/actual ICMA basis. If any Coupon Date is not a Business Day (as defined in the Terms and Conditions of the CASHES), Coupons shall be payable on the next Business Day (without additional interest payable in respect of such delay) unless such Business Day falls in the next calendar month in which case it will be the preceding Business Day (without any reduction in coupon amount in respect of such early payment). Each successive period from and including a Coupon Date to but excluding, the next Coupon Date is referred to as a "**Coupon Period**"; provided that the first such period shall run from and including the Issue Date to, but excluding, the first Coupon Date.
Limited Recourse	The sole recourse of the registered holders (the "**Holders**") of CASHES against any of the Co-obligors with respect to the principal amount of the CASHES shall be the Underlying Shares (or other securities that replace the Underlying Shares pursuant to the Indenture) on which a right of pledge has been granted to the Collateral Agent for the benefit of such Holders. In the event of Bankruptcy Proceedings applicable to all of the Co-obligors, the Holders' of CASHES sole right with respect to the principal amount of the CASHES shall be the right to exchange their CASHES for Underlying Shares pursuant to the Optional Exchange, or to seek to institute foreclosure proceedings under the Pledge Agreement with respect to such Underlying Shares. Notwithstanding the foregoing, in the event of Bankruptcy Proceedings applicable to all of the Co-obligors, the Holders of CASHES shall continue to have claims, payable in cash, for any past due Coupons consistent with the subordination provisions set forth under "*Subordination*" below. In certain circumstances Holders of CASHES may not be able to recover payments of

	Additional Interest if due and payable in the event of Bankruptcy Proceedings.
Subordination	Coupons relating to the CASHES constitute direct and subordinated obligations of the Co-obligors, jointly and severally. The Coupons relating to the CASHES rank and at all times shall rank (i) junior to any indebtedness or obligation, including any preference shares, of the Co-obligors other than such indebtedness or obligation set forth in clauses (ii) and (iii) below (such indebtedness and obligations, together "**Senior and Subordinated Obligations**"), (ii) *pari passu* and without any preference among themselves and any other indebtedness or obligation that, expressly or by applicable law, ranks pari passu with the Coupons relating to the CASHES, ("**Parity Securities")** and (iii) senior to (A) any indebtedness or obligation of the Co-obligors that, expressly or by applicable law, is subordinated to the Coupons relating to the CASHES and (B) any ordinary shares of Fortis Bank and any Fortis Shares (collectively, "**Junior Securities**"). For the avoidance of doubt, the following securities are Parity Securities: • the undated Floating Equity-linked Subordinated Hybrid ("**FRESH**") Capital Securities issued by Fortfinlux S.A. on May 7, 2002; and • the Mandatory Convertible Securities ("MCS") issued by Fortis Bank Netherlands (Holding) N.V., Fortis Bank, Fortis SA/NV and Fortis N.V. on December 7, 2007. Subject to the terms set forth above under the heading "*Limited Recourse*", in the event of Bankruptcy Proceedings applicable to all of the Co-obligors, the cash payment obligations of the Co-obligors under the Indenture with respect to Coupons shall rank behind the claims of holders of Senior and Subordinated Obligations of the Co-obligors and before the claims of holders of ordinary shares of Fortis Bank and holders of Fortis Shares.
Underlying Shares	125,313,283 Fortis Shares newly issued at market value by the Parent Companies to Merrill Lynch and subsequently purchased by Fortis Bank at market value and pledged to the Collateral Agent for the benefit of the Holders (the "**Initial Underlying Shares**") or any other Fortis Shares substituted for such Initial Underlying Shares in accordance with the terms of the Pledge Agreement, as such shares may be adjusted from time to time in accordance with the terms of the CASHES, resulting in an adjustment in the Exchange Price.
Threshold Dividend Coupon	All Coupons which are payable on any Coupon Date with respect to a Coupon Period after the first public announcement by either or both of the Parent Companies stating (i) an intention to propose that no dividend on the Fortis Shares be declared, or (ii) that the aggregate of the interim dividend and final dividend, if any, paid and to be declared represents a dividend yield in relation to any financial year lower than 0.5% (the "**Threshold Dividend Yield**") until the date first occurring after the first public announcement by either or both of the Parent Companies stating an intention that a dividend (whether an interim dividend, a final dividend or the aggregate of any interim and final dividend) on the Fortis Shares be declared that equals or exceeds in aggregate the Threshold

Dividend Yield, shall be paid as an Exceptional Alternative Coupon in accordance with the Alternative Coupon Satisfaction Method.

For the avoidance of doubt, in the event that the general meeting of shareholders of either or both Parent Companies declares a final dividend (which taken together with an interim dividend, if any) on the Fortis Shares that equals or exceeds in aggregate the Threshold Dividend Yield, all Coupons that become due and payable from and after the date of such general meeting shall be paid in cash (but the use of the Alternative Coupon Satisfaction Method to satisfy such cash payment shall be at the option of the Co-obligors) until such time as a requirement to pay a Coupon through the Alternative Coupon Satisfaction Method subsequently arises.

Exceptional Alternative Coupons

If and to the extent that a Trigger Event has occurred and is continuing or would occur on a Regular Coupon Date, including after giving effect to any Coupon on the CASHES otherwise payable on such Regular Coupon Date or otherwise, the Coupons on the CASHES will be payable on the Alternative Coupon Satisfaction Date (subject to a Postponement Event) and the Co-obligors will deliver an Alternative Coupon Notice. If the Co-obligors have given an Alternative Coupon Notice with respect to an Elective Alternative Coupon and subsequent to delivery of such notice and prior to the Regular Coupon Date, a Trigger Event has occurred and is continuing or would occur on such Regular Coupon Date, such Coupon shall be deemed an Exceptional Alternative Coupon.

Elective Alternative Coupons

If on any Regular Coupon Date no Trigger Event has occurred or is continuing, the Co-obligors may, at their option, deliver an Alternative Coupon Notice, in which case a full Coupon will be payable on such Regular Coupon Date using the Alternative Coupon Payment Method, subject to a Postponement Event.

Coupons that are paid using the Alternative Coupon Payment Method due to the occurrence of a Trigger Event are referred to herein as "**Exceptional Alternative Coupons**". Coupons that are paid using the Alternative Coupon Payment Method in the circumstances described in the immediately preceding paragraph are referred to herein as "**Elective Alternative Coupons**". Exceptional Alternative Coupons and Elective Alternative Coupons are collectively referred to as "**Alternative Coupons**".

"**Trigger Event**" means any Co-obligor is or would be Insolvent or any Co-obligor (whether on a consolidated or non-consolidated basis) is or would be in breach of regulatory capital solvency requirements of the Belgian Commissie voor Het Bank-, Financie- en Assurantiewezen/Commission bancaire, financière et des assurances "(**CBFA**") (whether of general application or of specific application) applicable to it or would be Insolvent or in breach of such requirements if payment of Coupons payable on the CASHES were to be made by it.

A Co-obligor is "**Insolvent**" if (i) its Liabilities (excluding Liabilities that are not Senior and Subordinated Obligations) exceed its Assets or (ii) it is unable to pay its debts as they fall due.

"**Assets**" means the unconsolidated gross assets of the relevant Co-obligor, as shown in the latest audited balance sheet of that Co-obligor, but adjusted for contingent assets and for subsequent events, all in such manner as the auditors of such Co-obligor or, as the case may be, the administrator or liquidator (or similar official) of such Co-obligor may determine.

"**Liabilities**" means the unconsolidated gross liabilities of the relevant Co-obligor, as shown in the latest audited balance sheet of the Co-obligor, but adjusted for contingent liabilities and for subsequent events, all in such manner as the auditors of such Co-obligor or, as the case may be, the administrator or liquidator (or similar official) of such Co-obligor may determine.

Alternative Coupon Satisfaction Method

General

The Co-obligors will be required to satisfy their obligation to pay any Alternative Coupon on the Alternative Coupon Satisfaction Date relating to such coupon in accordance with the procedure described below (the "**Alternative Coupon Satisfaction Method**").

Notice

In respect of any Coupon which the Co-obligors will pay using the Alternative Coupon Satisfaction Method, the Co-obligors shall (A) give notice (an "**Alternative Coupon Notice**") to the Trustee, any paying agent (including the Domiciliary Agent, Luxembourg Paying Agent and any other paying agent the Co-obligors may appoint from time to time, the "**Paying Agent**"), the calculation agent (which shall be an investment bank or brokerage firm of international repute unaffiliated with the Co-obligors including, for the avoidance of doubt, an investment bank acting as book-runner in this transaction, appointed from time to time by the Co-obligors, the "**Calculation Agent**") and the Holders of CASHES that the Co-obligors will satisfy the Alternative Coupons payable on the applicable Regular Coupon Date using the Alternative Coupon Satisfaction Method; Alternative Coupon Notices will specify (i) the aggregate fair market value of the Alternative Coupons payable using the Alternative Coupon Satisfaction Method and (ii) the contribution to be made to the capital of Fortis SA/NV and Fortis N.V.; and (B) give notice to the Trustee directing the Trustee as to the manner in which such contribution is to be effected (and the Trustee shall be entitled to act in accordance with such directions and shall not be responsible to the Holders or any other person for any loss arising from its doing so).

An Alternative Coupon Notice shall be given at least 16 Business Days prior to the applicable Regular Coupon Date or, if a Trigger Event should occur at any time prior to a Regular Coupon Date, as soon as practicable following the occurrence of such Trigger Event and, in the case of an Exceptional Alternative Coupon, any such Alternative Coupon Notice shall also set forth, subject to the occurrence of a Postponement Event, the Alternative Coupon Satisfaction Date. In respect of an Elective Alternative Coupon, the Co-obligors may give an Alternative Coupon Notice in their sole discretion and for any reason. Each Alternative Coupon Notice shall be given by mail and facsimile to the Trustee, any Paying Agent and the Calculation Agent and through customary market news services, and, if required, shall be published in an Authorized Newspaper (as defined in the terms of the CASHES).

Except in the event that Bankruptcy Proceedings have occurred with respect to each Co-obligor, Alternative Coupons are mandatorily payable with the Alternative Coupon Satisfaction

Method and shall be payable on the Alternative Coupon Satisfaction Date.

"**Alternative Coupon Satisfaction Date**" shall be a date, subject to the occurrence of a Postponement Event, which is (i) in the case of an Exceptional Alternative Coupon where a Trigger Event occurs, or has occurred and is continuing, on the applicable Regular Coupon Date, the later of 90 Business Days following the date on which such Trigger Event first occurred or the next Regular Coupon Date following the date on which such Trigger Event first occurred; *provided* that, if such Trigger Event occurs, the Co-obligors shall use their best efforts to establish an Alternative Coupon Satisfaction Date that is, and pay an Exceptional Alternative Coupon within, 30 calendar days following the first Regular Coupon Date after such Trigger Event first occurred, and (ii) in the case of an Elective Alternative Coupon, the relevant Regular Coupon Date.

Notwithstanding the provisions (i) and (ii) above, if any Postponement Event has occurred, the Alternative Coupon Satisfaction Date shall be the date notified to the Trustee, any Paying Agent, the Calculation Agent and the Holders of the CASHES, which shall be a date no later than 20 Business Days following the date on which, in the reasonable opinion of the Co-obligors, a Postponement Event is no longer continuing.

Issuance, Exchange and Sale Procedure

The Co-obligors' obligation to pay Alternative Coupons on the Alternative Coupon Satisfaction Date relating to such Coupon, in accordance with the Alternative Coupon Satisfaction Method, will be satisfied as follows:

(i) The Co-obligors will deliver an Alternative Coupon Notice to the Trustee any Paying Agent, the Calculation Agent and Holders of the CASHES as provided for above, of the forthcoming Alternative Coupon Satisfaction Date, including if the Alternative Coupon Satisfaction Method will be used to satisfy a Coupon payable on a Regular Coupon Date;

(ii) on or before the seventh Stock Exchange Business Day preceding such Alternative Coupon Satisfaction Date, the Trustee (or its custodian), acting at the direction of the Co-obligors as set forth in the Alternative Coupon Notice, will contribute the Alternative Coupons to the capital of Fortis SA/NV and Fortis N.V. (in equal proportions, subject to compliance with applicable Belgian and Dutch law), against which the Parent Companies will issue (in compliance with applicable Belgian and Dutch law) to the Trustee (or its custodian), and the Trustee, acting at the direction of the Co-obligors, shall subscribe for Fortis Shares having, in the judgment of the Calculation Agent and notified by the Calculation Agent to the Trustee, an aggregate fair market value equal to the aggregate amount of Alternative Coupons that will be payable on such Alternative Coupon Satisfaction Date, plus, subject to the proviso below, any expenses to be borne by the Co-obligors in connection with using the Alternative Coupon Satisfaction Method (including, without limitation, claims for the costs, fees and expenses of the Calculation Agent and the Trustee and their agents (and the Trustee shall be entitled to act in accordance with such directions of the Co-obligors or the Calculation Agent, as the case may be, and shall not be responsible to the Holders or any other person for any loss arising from its doing do); provided that, for purposes of the foregoing calculation, such expenses shall not be included in such calculation or contributed as a claim for reimbursement against any of the Co-obligors, to the extent that such expenses are otherwise paid or provided for by Fortis Bank or either Parent Company, as the case may be, on or before the eighth Stock Exchange Business Day preceding such Alternative Coupon Satisfaction Date;

(iii) as soon as reasonably practicable after receipt by Fortis SA/NV and Fortis N.V. of the applicable Alternative Coupons in exchange for the Fortis Shares referenced in clause (ii) above issued and subscribed for by the Trustee (or its custodian), the Calculation Agent will use reasonable endeavors on normal market terms to procure purchasers for such Fortis Shares which, when sold, are intended to provide enough cash to enable the Trustee to make full payment of the Alternative Coupons then payable. The Trustee (or its custodian) will then transfer such Fortis Shares as directed by the Calculation Agent, and the Trustee will collect any sales proceeds (and the Trustee shall be entitled to act in accordance with such directions of the Calculation Agent and shall not be responsible to the Holders or any other person for any loss arising from doing so); and

(iv) on such Alternative Coupon Satisfaction Date, the Trustee or, if the Trustee has transferred the proceeds to the Paying Agent, the Paying Agent will apply such sales proceeds first, towards the payment of any expenses to be borne by the Co-obligors in connection with the use of the Alternative Coupon Satisfaction Method (including without limitation, claims for the costs, fees and expenses of the Calculation Agent and the Trustee) and then, towards the payment of the Alternative Coupons then payable. The Trustee or the Paying Agent will transfer any remaining proceeds back to the Co-obligors in equal proportions.

In connection with the payment of Exceptional Alternative Coupons on an Alternative Coupon Satisfaction Date, the completion of the foregoing steps (i) through (iv) will be in full satisfaction of the Co-obligors' obligation to pay such Exceptional Alternative Coupons, without regard to whether the net sales proceeds ultimately delivered to the Holders of the CASHES are equal to the amount of the Exceptional Alternative Coupons payable on such Alternative Coupon Satisfaction Date. For the avoidance of doubt, Exceptional Alternative Coupons include Coupons for which an Alternative Coupon Notice has been delivered regarding an Elective Alternative Coupon but where subsequent to the delivery of such notice and prior to the Regular Coupon Date a Trigger Event has occurred and is continuing.

If the net sales proceeds from the sale of Fortis Shares available for distribution to Holders of the CASHES are less than the full amount of the Alternative Coupon, Holders of CASHES will be paid ratably in any distribution of such proceeds, in proportion to the full amount of the Alternative Coupon on such holder's CASHES.

	In connection with the payment of Elective Alternative Coupons on an Alternative Coupon Satisfaction Date, if the net sales proceeds from the sale of Fortis Shares are insufficient to pay the full amount of the Coupon, then the Co-obligors shall make such additional payments as shall be necessary to ensure the Coupon is paid in full.
Sufficiency and Availability of Capital	The Co-obligors will be able to pay Alternative Coupons in accordance with the Alternative Coupon Satisfaction Method only to the extent that the Parent Companies have enough available authorized capital to permit the issuance of Fortis Shares to enable the Co-obligors to pay Alternative Coupons on any Alternative Coupon Satisfaction Date in accordance with the Alternative Coupon Satisfaction Method. The Parent Companies will jointly and severally undertake in the Indenture to use all reasonable efforts to ensure that each of the Parent Companies has sufficient available authorized capital for this purpose, provided that the Parent Companies shall not be required to acquire any issued and outstanding Fortis Shares. If, notwithstanding the foregoing, the available authorized capital of the Parent Companies is not sufficient to satisfy an Alternative Coupon in full when it is due pursuant to the Alternative Coupon Satisfaction Method then the Alternative Coupon Satisfaction Date with respect to such Alternative Coupon will be postponed until such time as the shareholders of the Parent Companies approve resolutions authorizing sufficient additional capital for the issue of the required additional Fortis Shares. The Parent Companies will use all reasonable efforts to obtain appropriate shareholder approval for the creation of additional authorized capital for such purpose. The Trustee and the Holders of the CASHES will agree that the Co-obligors will be entitled to pay coupons on any Regular Coupon Date, whether or not such Regular Coupon Date is an Alternative Coupon Satisfaction Date, in accordance with the Alternative Coupon Satisfaction Method.
Postponement Events	Any Alternative Coupon shall be payable on an Alternative Coupon Satisfaction Date. However, if any Postponement Event shall occur, the Co-obligors' obligation to make payment using the Alternative Coupon Satisfaction Method shall be deferred until a Postponement Event is no longer continuing; provided that if the Co-obligors each become subject to Bankruptcy Proceedings, any unpaid Coupons, including Alternative Coupons which remain unpaid at such time shall become due and payable in cash, subject to the subordination provisions described in "*Subordination*" above. For these purposes, "**Postponement Event**" shall mean: • a Market Disruption Event exists on or after the 15th business day preceding any Alternative Coupon Satisfaction Date, • if, notwithstanding the actions taken by the Co-obligors as described under "*Sufficiency and Availability of Capital*", the available authorized capital of either Parent Company is not sufficient to permit the Parent Companies to issue enough Fortis Shares to satisfy their obligations to pay an Alternative Coupon on an Alternative Coupon Satisfaction Date, a Postponement Event will occur with respect to the Alternative Coupon Satisfaction Date with respect to any such unpaid amount until such time as the shareholders of the Parent Companies approve resolutions authorizing additional capital for the issuance of sufficient Fortis Shares,

- the Parent Companies are subject to a "closed" period which, under applicable securities laws or Parent Company policies then in place, would not permit the Parent Companies to issue Fortis Shares until the release of information which has resulted in the commencement of such closed period or such closed period has otherwise terminated, or
- as a result of any covenant, undertaking, guarantee or other similar provision in any Senior and Subordinated Obligations and/or Parity Securities (other than Junior Securities), each of the Co-obligors would not be permitted to pay any Alternative Coupon because such Co-obligor has not satisfied its obligations under such Senior and Subordinated Obligations and/or Parity Securities (other than Junior Securities), as the case may be.

For all purposes of these terms and conditions, if a Postponement Event has occurred, the Alternative Coupon Satisfaction Date shall be the date notified by the Co-obligors to the Trustee, any Paying Agent, the Calculation Agent and the Holders of the CASHES, which shall be a date no later than 20 Business Days following the date on which, in the reasonable opinion of the Co-obligors, a Postponement Event is no longer continuing.

"**Market Disruption Event**" means (i) the occurrence or existence of any material suspension of or limitation on trading or on settlement procedures for transactions in Fortis Shares through both Relevant Exchanges (defined below) or the principal central securities depositary through which Fortis Shares are then cleared and which are material in the context of the Fortis Shares or (ii) the existence of any prohibition or material restriction imposed by applicable law (or by order, decree or regulation of any governmental entity, stock exchange or self-regulating body having jurisdiction) on the ability of either Parent Company to issue and/or transfer Fortis Shares.

"Relevant Exchange" means Euronext Brussels "(**Euronext Brussels**") and Euronext Amsterdam N.V. "(**Euronext Amsterdam**") or the principal stock exchanges or securities markets on which the Fortis Shares are traded.

Dividend Stopper

(a) The Parent Companies will agree in the Indenture that, in the case of any Exceptional Alternative Coupon, beginning on the day the Co-obligors give an Alternative Coupon Notice, and in the case of any Elective Alternative Coupon, beginning on the relevant Regular Coupon Date relating to such Elective Alternative Coupon if the Elective Alternative Coupon is not paid on such Regular Coupon Date, and in each case continuing until all Alternative Coupons are paid in full, (A) each of the Parent Companies (i) will not propose to its shareholders and, to the fullest extent permitted by applicable law, will otherwise act to prevent the declaration or payment of any dividend, distribution or other payment on its Ordinary Shares or Parity Securities and (ii) will not redeem, repurchase or otherwise acquire any of its Ordinary Shares or Parity Securities (other than pursuant to a Permitted Share Acquisition) and (B) each of the Parent Companies (i) will not declare or pay and, to the fullest extent permitted by applicable law, will otherwise act to prevent the declaration or payment of, any dividend, distribution or other payment on its Ordinary Shares or Parity Securities and (ii) agrees that it will not vote, or will procure that no vote is made by any of its subsidiaries, in favor of any of the actions of Fortis Bank described in clauses (A)(i) and (A)(ii) above; and

(b) Fortis Bank will agree in the Indenture that, in the case of any Elective Alternative Coupon beginning on the relevant Regular Coupon Date relating to such Elective Alternative Coupon if the Elective Alternative Coupon is not paid on such Regular Coupon Date and continuing until all such Elective Alternative Coupons are paid in full, (A) Fortis Bank (i) will not propose to its shareholders and, to the fullest extent permitted by applicable law, will otherwise act to prevent the declaration or payment of any dividend, distribution or other payment on its Ordinary Shares or Parity Securities and (ii) will not redeem, repurchase or otherwise acquire any of its Ordinary Shares or Parity Securities (other than pursuant to a Permitted Share Acquisition) and (B) Fortis Bank will not declare or pay and, to the fullest extent permitted by applicable law, will otherwise act to prevent the declaration or payment of, any dividend, distribution or other payment on its Ordinary Shares or Parity Securities;

provided that the restriction described in (a) and (b) above shall not apply (i) to a dividend, distribution, payment or redemption in respect of any Exempt Share Class and (ii) to a dividend, distribution or other payment on any Parity Securities that is required to be paid, pursuant to the terms of such Parity Securities, solely as a result of a dividend, distribution, payment or redemption in respect of any Exempt Share Class.

The ordinary shares of Fortis Bank and the ordinary shares of the Parent Companies (or any ordinary share equivalent that may replace or be substituted for the ordinary shares of either or both Parent Companies or Fortis Bank) are referred to collectively as "**Ordinary Shares**".

"**Permitted Share Acquisition**" means an acquisition of Ordinary Shares or Parity Securities (i) by conversion into or in exchange for Ordinary Shares, (ii) in connection with transactions effected by or for the account of customers of Fortis Bank or either Parent Company or any of their subsidiaries or in connection with the distribution, trading or market-making in respect of such securities in the ordinary course of business, (iii) in connection with the satisfaction by Fortis Bank or either Parent Company or any of their subsidiaries of their obligations under any employee benefit plans of similar arrangements with or for the benefit of employees, officers, directors or consultants, (iv) as a result of a reclassification of the capital of Fortis Bank or either Parent Company or any of their subsidiaries or the exchange or conversion of one class or series of capital for another class or series of capital, or (v) the purchase of fractional securities pursuant to the conversion or exchange provisions of such security being converted or exchanged.

Exempt Share Classes

The following classes of shares (each an "**Exempt Share Class**") shall be exempt from the dividend stopper to the extent described above:

(i) the currently authorized number of 1,820 million cumulative preference shares of €0.42 nominal value in the capital of Fortis N.V. or any successor thereto; and

	(ii) any preference shares that are not, or would not be, included as Tier 1 capital of Fortis Bank "(**Replacement Preference Shares**") to be created or issued by Fortis Bank or either Parent Company in connection with the merger, consolidation, amalgamation or other combination of an entity with and into Fortis Bank or such Parent Company in which Fortis Bank or such Parent Company is the surviving entity, for the purpose of replacing preference shares issued or authorized by such other entity at the time of the transaction. The Parent Companies will agree not to authorize unilaterally or to propose to their shareholders that they authorize any additional preference shares (other than Replacement Preference Shares) unless such additional preference shares are subject to the dividend stopper described above.
Arrears of Interest and Additional Interest	Any Coupon not paid on a Coupon Date (except such Coupon required to be paid in accordance with the Alternative Coupon Satisfaction Method but which is not paid due to a Postponement Event) together with any other such Coupons not paid on any other prior Coupon Date (except such Coupon required to be paid in accordance with the Alternative Coupon Satisfaction Method but which is not paid due to a Postponement Event) shall, so long as the same remains unpaid, constitute "**Arrears of Interest**". for purposes of calculating Additional Interest (as defined below). Exceptional Alternative Coupons paid pursuant to the Alternative Coupon Satisfaction Method shall not result in Arrears of Interest, including Exceptional Alternative Coupons which cannot be paid pursuant to the Alternative Coupon Satisfaction Method due to the unavailability of Fortis Shares as a consequence of Bankruptcy Proceedings involving the Parent Companies such that Fortis Shares can no longer be issued resulting in a Postponement Event that cannot be cured. Any amount of Arrears of Interest shall bear interest (to the extent permitted by applicable law) as if it constituted the principal of such CASHES at the applicable Interest Rate "(**Additional Interest**"). The amount of Additional Interest accrued as of a Coupon Date for the then-ended Coupon Period shall be added, for purposes only of the calculation of the amount of Additional Interest due after such Coupon Date, to the amount of respective Arrears of Interest unpaid as of such Coupon Date as if such amount would itself constitute Arrears of Interest.
Exchange Rights	Holders of CASHES shall be entitled to exchange their CASHES for Underlying Shares and in certain circumstances described below such exchange shall be automatic.
Exchange Price	Each of the CASHES shall be exchangeable for Underlying Shares at an initial Exchange Price equal to €23.94 per Underlying Share. Any CASHES in respect of which an exchange is effected, whether upon the exercise of an Optional Exchange (defined below) or pursuant to the Automatic Exchange, shall be cancelled and cease to be entitled to any interest that could otherwise have been payable in respect of such CASHES.
Optional Exchange	Holders of CASHES may exchange their CASHES for Underlying Shares, at the Exchange Price, at any time from January 28, 2008, which is 40 days after the Issue Date, ("**Optional Exchange**").
Automatic Exchange	All CASHES outstanding shall automatically be exchanged for Underlying Shares ("**Automatic Exchange**") at the Exchange Price

	if, at any time after the seventh anniversary of the Issue Date, the Volume Weighted Average Price (as defined in the Terms and Conditions of the CASHES) for 20 consecutive Stock Exchange Business Days (defined below) equals or exceeds the Automatic Exchange Price Level (described below) (an "**Automatic Exchange Event**"). "**Stock Exchange Business Day**" means any day (other than a Saturday or Sunday) on which each of the Relevant Exchanges is open for business. **"Volume Weighted Average Price**" means the volume weighted average price of a Fortis Share as traded on the Relevant Exchange. For so long as the Fortis Share is traded on both Euronext Brussels and Euronext Amsterdam, the volume weighted average price shall be the arithmetic average of such volume weighted average prices.
Automatic Exchange Price Level and Redemption	The Automatic Exchange Price Level is equal to 150% of the Exchange Price, as such price may be adjusted from time to time as described below. The initial Automatic Exchange Price Level is €35.91 per Underlying Share. Notwithstanding the provisions under the headings "*Subordination"* and "*Limited Recourse*", upon Automatic Exchange, the Holders of CASHES may elect to receive the cash proceeds from the sale on the market of the Underlying Shares to which they are entitled in lieu of receiving the Underlying Shares (the "**Optional Cash Settlement**"). To exercise such option to receive cash in lieu of Underlying Shares, Holders of CASHES must, within five Stock Exchange Business Days of receiving notice that an Automatic Exchange Event has occurred, complete, execute and deposit with the relevant exchange agent an optional cash settlement notice (the "**Optional Cash Settlement Notice**"). The Co-obligors will effect delivery to the Trustee of the Underlying Shares in respect of which Holders have given an Optional Cash Settlement Notice and will direct the Trustee to instruct the Calculation Agent on such Holders' behalf to use reasonable endeavors on normal market terms to procure purchasers for such Underlying Shares to which such Holders are entitled, as soon as reasonably practicable but within five Stock Exchange Business Days following receipt of such Underlying Shares by the Trustee and to deliver to such Holders, as soon thereafter as reasonably practicable, the net proceeds from such sale; so long as the Co-obligors have satisfied their obligations in full in connection with the delivery of the Fortis Shares to the Trustee, the Co-obligors shall have satisfied their obligations in full to such Holders. In the event that a Holder of CASHES fails to timely provide the required Optional Cash Settlement Notice, the Holder will be deemed to have elected to receive Underlying Shares upon Automatic Exchange.
Protection Mechanisms For Holders of CASHES	a) **Stock Split, Reverse Stock Split or Capital Increase**. If there shall have occurred a subdivision or consolidation of the Fortis Shares (except for a subdivision or consolidation arising as a result of a Merger/Change in Control Event) into a greater or lesser number of Fortis Shares or an issuance of Fortis Shares by the means of a capital increase from reserves, the Exchange Price shall be adjusted as of the date upon which such event

occurred by multiplying the Exchange Price then in effect by the following fraction:

X/Y

where:

X = The number of Fortis Shares outstanding immediately prior to the occurrence of such event.

Y = The number of Fortis Shares outstanding immediately after the occurrence of such event.

(b) **Entitlement of Holders of CASHES to Certain Parent Company Distributions**. Except as otherwise provided under this heading, the Co-obligors shall promptly arrange to make available to the Holders of CASHES (i) the proceeds of any Capital Distribution (defined below) and (ii) any rights, securities or other property offered on a pre-emptive basis by either of the Parent Companies to its shareholders.

Without limiting the generality of the foregoing, and subject to compliance with all applicable laws and the certification requirements of the Indenture, if either of the Parent Companies offers to its shareholders on a pre-emptive basis notes, warrants, preference shares or other similar securities convertible into Fortis Shares, then it shall notify the Trustee and the Holders of such pre-emptive rights and the Holders shall be entitled to such pre-emptive rights on the same terms and conditions as offered by such Parent Company to its shareholders, based on the number of CASHES held on the record date established by the applicable Parent Company with respect to each such distribution of pre-emptive rights; for the avoidance of doubt, any CASHES acquired by Holders pursuant to transactions entered into but not yet settled as of each such record date shall be deemed as held by the relevant Holders on each such record date. Any such entitlement of Holders of CASHES under this subparagraph (b) shall be made to Holders of CASHES in proportion to the exchange ratio.

For the avoidance of doubt, Holders of CASHES shall have no entitlement under this subparagraph (b) to cash dividends that are not Capital Distributions.

(c) **Merger or Change in Control**. Upon the occurrence of a Merger/Change in Control Event, the Parent Companies shall use their best efforts to cause the surviving or successor entity, following such Merger/Change in Control Event, to:

(i) assume the obligations of the Parent Companies under the Indenture,

(ii) either (A) replace the Fortis Shares that have been pledged in favor of the Holders of CASHES with equity securities of the surviving or successor entity that are listed on a recognized exchange and have an equivalent market value to such Fortis Shares immediately prior to such Merger/ Change in Control Event or (B) take the actions set forth in subparagraphs (iv) through (vii) below, and

(iii) adjust the Coupon of the CASHES to reflect any deterioration in the credit quality of the surviving or successor entity, on a consolidated basis, following such Merger/Change in Control Event compared with the credit quality of the Parent Companies immediately prior to such Merger/Change in Control Event.

Any determination of equivalent market value pursuant to subparagraph (ii) and any adjustment to the Coupon pursuant to subparagraph (iii) shall be made by the Co-obligors and such surviving or successor entity in conjunction with two investment banks of international repute (unaffiliated with the Co-Obligors or such surviving or successor entity) selected by the Co-obligors and such surviving or successor entity and notified to the Trustee. Such replacement or adjustment shall take effect in accordance with such determination.

In the event that upon the occurrence of a Merger/Change in Control Event the surviving or successor entity has not agreed or committed to take the actions specified in subparagraphs (i) through (iii) above, the Parent Companies (or if the Parent Companies are not the surviving or successor entities, then Fortis Bank) shall direct the Collateral Agent, in accordance with the terms of the Pledge Agreement, to take the following actions:

(iv) if the consideration payable to Holders of Fortis Shares in connection with such Merger/Change in Control Event consists solely of Liquid Equity Securities, duly tender the Fortis Shares that have been pledged in favor of the Holders of CASHES in exchange for such Liquid Equity Securities in accordance with the terms of the Merger/Change in Control Event and procure that such Liquid Equity Securities replace the Fortis Shares that have been pledged in favor of the Holders of CASHES for all purposes under the Indenture and the Pledge Agreement; or

(v) if the consideration payable to Holders of Fortis Shares in connection with such Merger/Change in Control Event consists solely of cash, duly tender the Fortis Shares that have been pledged in favor of the Holders of CASHES in exchange for such cash in accordance with the terms of the Merger/Change in Control Event and, (A) if the equity securities of the surviving or successor entity are Liquid Equity Securities, direct the Collateral Agent to use all of such cash to make market purchases of such Liquid Equity Securities and procure that such Liquid Equity Securities replace the Fortis Shares that have been pledged in favor of the Holders of CASHES for all purposes under the Indenture and the Pledge Agreement or (B) if the equity securities of the surviving or successor entity are not Liquid Equity Securities direct the Collateral Agent to use all of such cash, to the extent Independently Determined to be practicable, to purchase a basket of the equity securities that make up the index currently named Dow Jones Euro Stoxx 50 index (or, if no such index exists on such date, a comparable equity index selected by the Parent Companies or Fortis Bank (as applicable) and the surviving or successor entity in conjunction with an investment bank of international repute unaffiliated with the Parent Company, Fortis Bank, or such surviving or successor entities on such date and procure that such basket of equity securities replaces the Fortis Shares that have been pledged in favor of the Holders of CASHES for all purposes under the Indenture and the Pledge Agreement; or

(vi) if the consideration payable to Holders of Fortis Shares in connection with such Merger/Change in Control Event consists of any combination of cash and/or Liquid Equity Securities and/or other non-cash consideration, duly tender the Fortis Shares that have been pledged in favor of the Holders of CASHES in exchange for such cash and/or Liquid Equity Securities and/or other non-cash consideration in accordance with the terms of the Merger/Change in Control Event, and (A) direct the Collateral Agent to use all of such cash received as consideration to make market purchases of such Liquid Equity Securities and/or (B) direct the Collateral Agent to procure the sale for cash at fair market value of any such other non-cash consideration and use all of such cash received in such sale to make market purchases of such Liquid Equity Securities and thereafter procure that such purchased Liquid Equity Securities and the Liquid Equity Securities received as consideration in the Merger/Change in Control Event replace the Fortis Shares that have been pledged in favor of the Holders of CASHES for all purposes under the Indenture and the Pledge Agreement; or

(vii) if the consideration payable to Holders of Fortis Shares in connection with such Merger/Change in Control Event consists of any combination of cash and/or equity securities of the surviving or successor entity that are not Liquid Equity Securities and/or other non-cash consideration, duly tender the Fortis Shares that have been pledged in favor of the Holders of CASHES in exchange for such cash and/or non-Liquid Equity Securities and/or other non-cash consideration in accordance with the terms of Merger/Change in Control Event, and (A) direct the Collateral Agent to use all of such cash received as consideration, to the extent Independently Determined to be practicable, to purchase a basket of the equity securities that make up the index currently named Dow Jones Euro Stoxx 50 index (or, if no such index exists on such date, a comparable equity index selected by the Parent Companies or Fortis Bank (as applicable) and the surviving or successor entity in conjunction with an investment bank of international repute unaffiliated with the Parent Companies, Fortis Bank or such surviving or successor entity) on such date and/or (B) direct the Collateral Agent to procure the sale for cash at fair market value of such non-Liquid Equity Securities and use all of such cash received in such sale, to the extent Independently Determined to be practicable, to purchase a basket of the equity securities that make up the index currently named Dow Jones Euro Stoxx 50 index (or, if no such index exists on such date, a comparable equity index selected by the Parent Companies or Fortis Bank (as applicable) and the surviving or successor entity in conjunction with an investment bank of international repute unaffiliated with the Parent Companies, Fortis Bank or such surviving or successor entity) on such date and/or (C) direct the Collateral Agent to procure the sale for cash at fair market value of any such other non-cash consideration and use all of such cash received in such sale, to the extent Independently

Determined to be practicable, to purchase a basket of the equity securities that make up the index currently named Dow Jones Euro Stoxx 50 index (or, if no such index exists on such date, a comparable equity index selected by the Parent Companies or Fortis Bank (as applicable) and the surviving or successor entity in conjunction with an investment bank of international repute unaffiliated with the Parent Companies, Fortis Bank or such surviving or successor entity) on such date and thereafter procure that such basket of equity securities replaces the Fortis Shares that have been pledged in favor of the Holders of CASHES for all purposes under the Indenture and the Pledge Agreement.

For purposes of the foregoing subparagraphs (iv) through (vii) "**Liquid Equity Securities**" means equity securities of the surviving or successor entity with respect to which the average daily trading volume over the six months immediately preceding the Merger/Change in Control Event is equal to or greater than the average daily trading volume of the Fortis Shares over the six months immediately preceding the Merger/Change in Control Event, as determined by the Co-obligors and an investment bank of international repute unaffiliated with the Co-obligors; and

"**Independently Determined**" means determined in good faith by an independent investment bank of international repute selected by the Parent Companies or Fortis Bank (as applicable) and approved in writing by the Trustee, acting as an expert (at the expense of the Parent Companies or Fortis Bank, as applicable).

(d) **Other Events**. Should the Co-obligors believe in good faith that an event or circumstance that has occurred or shall occur that is different from those expressly contemplated under this heading, but that could or shall have similar effects as those discussed in subparagraphs (a), (b) or (c) above, the Co-obligors shall take such actions or decisions as they deem necessary or appropriate in order to ensure that, following the occurrence of such event or circumstance, the Holders of CASHES enjoy economic and other rights under the Indenture that, so far as practicable, are substantially similar to those enjoyed by them immediately prior to the occurrence of such event or circumstance. If, and only if, the Co-obligors believe in good faith that any such actions or decisions may be necessary or appropriate, then such actions or decisions shall be taken by the Co-obligors only in conjunction with two investment banks of international repute (unaffiliated with the Co-obligors) selected by the Co-obligors.

(e) **Certain Definitions**. For the purposes hereof, "**Merger/ Change in Control Event**" means, in respect of the Fortis Shares, any (i) reclassification or change of the Fortis Shares that results in a transfer of or an irrevocable commitment to transfer all of the outstanding Fortis Shares, (ii) consolidation, amalgamation or merger of Fortis N.V. or Fortis SA/NV with or into another entity or of Fortis N.V. and Fortis SA/NV with or into each other (other than a consolidation, amalgamation or merger in which Fortis N.V. or Fortis SA/NV is the continuing entity and which does not result in any such reclassification or change of all of such outstanding Fortis Shares), (iii) other takeover offer for the Fortis Shares that results in a transfer of or an irrevocable commitment to transfer all of the Fortis

Shares (other than the Fortis Shares owned or controlled by the offeror) or (iv) statutory split-up (*juridische splitsing*).

For the purposes hereof, "**Capital Distribution**" means (i) any distribution of assets *in specie* or (ii) any cash dividend or distribution of any kind charged or provided for in the accounts of either of the Parent Companies in relation to any financial year (whenever paid or made and however described) if the gross amount of the proposed dividend or distribution per Fortis Share, together with the amount per Fortis Share of any other dividends or distributions on such Fortis Shares charged or provided for in the accounts in relation to such financial year (other than any part thereof previously deemed to be a Capital Distribution) exceeds 5% of the Volume Weighted Average Price on the Stock Exchange Business Day immediately preceding the date on which such dividend or distribution is publicly announced (the "**Yield Threshold**"). In the event that the Volume Weighted Average Price is not available on such date, the "**Yield Threshold**" shall be based on the first available Volume Weighted Average Price in the preceding seven Stock Exchange Business Days immediately preceding the date on which such dividend or distribution is publicly announced. In the event that the Volume Weighted Average Price is not available during such period, then the Yield Threshold shall be determined by the Co-obligors in conjunction with two investment banks of international repute (unaffiliated with the Co-obligors) selected by the Co-obligors. The amount of such Capital Distribution shall be the amount by which such proposed dividend or distribution per Fortis Share together with the amount per Fortis Share of any other dividends or distributions of the Fortis Shares charged or provided for in the accounts in relation to such financial year exceeds the Yield Threshold.

"**Pledge Agreement**" means the pledge agreement among Fortis Bank as pledgor, each of the Parent Companies and The Bank of New York as collateral agent (the "**Collateral Agent**") dated December 19, 2007.

Cash Settlement Method

In the event that a Holder of CASHES fails to timely provide any required certification of beneficial ownership by or on behalf of such beneficial owner in compliance with U.S. securities laws in connection with any delivery or issuance to such Holder of Fortis Shares, rights or other securities, then the Holder will be deemed to have directed the Trustee to instruct the Calculation Agent on such Holder's behalf to use reasonable endeavors on normal market terms to procure purchasers for such Holder's entitlement to such Fortis Shares, rights or other securities as soon as reasonably practicable but within the five Stock Exchange Business Days following receipt of such Fortis Shares by the Trustee and to deliver to such Holder, as soon thereafter as reasonably practicable, the net proceeds from such sale. Except in the case of a Market Disruption Event, so long as the Co-obligors have satisfied their obligations in full in connection with the delivery of the Fortis Shares, rights or other securities to the Trustee, the Co-obligors shall have satisfied their obligations in full to such Holders.

Events of Default

An "**Event of Default**" occurs if:

(i) The Co-obligors fail to pay a Coupon on any Regular Coupon Date and the default continues for a period of seven days;

(ii) The Co-obligors fail to pay an Alternative Coupon on any Alternative Coupon Satisfaction Date and the default continues for a period of 14 days, except where such default is due to a Postponement Event; provided that if any Alternative Coupon is not satisfied within 20 Business Days after the date on which such Postponement Event is no longer continuing, such failure to satisfy such Alternative Coupon will constitute an Event of Default; or

(iii) Any Co-obligor defaults in the performance or observance of any other covenant, condition or provision contained in the Indenture or the CASHES, including failure to deliver Underlying Shares in connection with any Optional Exchange or Automatic Exchange, to be performed or observed by it (other than the covenant to pay the Coupons in respect of any of the CASHES) and such default continues for a period of 30 days following the service by the Trustee on the Co-obligors of notice requiring such default to be remedied (no such notice shall be required where the Trustee certifies in writing that, in its opinion, such default is not capable of remedy).

Subject to the terms set forth above under the heading "*Limited Recourse*", if an Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in aggregate principal amount of the CASHES then outstanding, by written notice to the Co-obligors (and to the Trustee if the notice is given by the Holders of CASHES), may, and the Trustee at the request of Holders of at least 50% in aggregate principal amount of the CASHES then outstanding shall (subject to the terms and conditions of the Indenture), institute proceedings to obtain the payment of any Coupon due or compliance with the defaulted covenant or agreement. Upon the occurrence of an Event of Default, the Holders of CASHES will not have any rights of acceleration or redemption with respect to the CASHES.

Notwithstanding the foregoing, if an Event of Default occurs and is continuing with respect to non-payment of a Coupon on any Regular Coupon Date or with respect to an Alternative Coupon on any Alternative Coupon Satisfaction Date, the Holders, or the Trustee on the Holders' behalf, may institute proceedings to obtain enforcement of such obligations and such right shall not be impaired or effected without the consent of such Holder. In addition, if an Event of Default occurs and is continuing due to the failure to deliver Underlying Shares in connection with an Optional Exchange or Automatic Exchange, at the request of a Holder the Trustee shall instruct the Collateral Agent to foreclose on the relevant Underlying Shares in accordance with the terms of the Pledge Agreement.

Undertaking to Maintain Listing

The Co-obligors shall undertake that the listing of the CASHES shall be maintained on the Euro MTF market of the Luxembourg Stock Exchange (the "**Euro MTF**"), its successor exchange or another European exchange of at least equal standing, except in the case of a winding-up or liquidation of the Co-obligors. The Parent Companies shall undertake that they shall maintain the listings of the Fortis Shares on Euronext Brussels and Euronext Amsterdam, their successor exchanges or another European exchange of at least equal standing, except in the case of a winding-up or liquidation of both Parent Companies. The Parent Companies shall also undertake to list the Underlying Shares on such exchange or such exchanges no later than such time as they are delivered to Holders. In case of

	de-unification of the Fortis Shares, the Parent Companies shall ensure that all shares resulting therefrom are so listed.
Form and Denomination	The CASHES shall be issued in denominations of €250,000 principal amount and integral multiples thereof. The CASHES will be issued on the Issue Date against payment in immediately available funds. The CASHES shall be issued in dematerialized form via a book-entry system maintained in the records of the NBB as operator of the X/N System (the "**X/N System**") and will be credited to the accounts held with the X/N System by Euroclear Bank SA/NV ("**Euroclear**"), Clearstream Banking, *société anonyme*, Luxembourg ("**Clearstream**"), other X/N System participants and their respective participants. See "*Clearance and Settlement*" below. The CASHES are being offered and sold in offshore transactions in reliance on Regulation S under the Securities Act ("**Regulation S**"). Book-entry interests in the CASHES shall be exchangeable in whole and not in part for CASHES in registered form with no coupons attached ("**Definitive Securities**") if (a)(i) the relevant CASHES become ineligible for clearance and settlement through the X/N System and (ii) the Co-obligors are not able, after using reasonable efforts, to arrange for clearance and settlement of the CASHES through a successor clearing system within 120 days of notice of such event or (b) if as a result of any amendment to, or change in, the laws or regulations of Belgium or The Netherlands (or any political subdivision thereof) or of any authority therein or thereof having power to tax or in the interpretation, by any revenue authority or a court or administration, of such laws or regulations which become effective, on or after the Issue Date, the Co-obligors or the Trustee or any Paying Agent (as defined below) is or shall be required to make any deduction or withholding from any payment in respect of the CASHES which would not be required were the CASHES in definitive registered form. As used herein, where applicable, CASHES includes any Definitive Securities that may be outstanding.
Clearance and Settlement	The CASHES are accepted for clearance and settlement in the X/N System. The CASHES will be shown on, and the transfer of the CASHES will be effected only through, records maintained by the X/N System, Euroclear and Clearstream and in accordance with the applicable procedures of the X/N System, Euroclear and Clearstream. The CASHES may be held only by eligible investors ("**Eligible Investors**") in an exempt securities account with a qualifying clearing system, as defined in Article 1, paragraph 1 of the Belgian Law of August 6, 1993 relating to transactions with certain securities. Pursuant to Article 4 of the Belgian Royal Decree of May 26, 1994, exempt accounts are reserved for (i) Belgian corporations subject to Belgian corporate income tax, (ii) institutions, associations and companies provided for in Article 2, paragraph 3 of the Belgian Law of July 9, 1975 on the control of insurance companies (iii) state regulated institutions (*institutions parastatales/parastatale instellingen*) for social security, or institutions which are equated to these, provided for in Article 105, paragraph 2 of the Belgian Royal Decree of August 27,

1993 implementing the Belgian Income Tax Code 1992, (iv) non-resident investors provided for in Article 105, paragraph 5 of the same decree, (v) investment funds, recognized in the framework of pension savings, provided for in Article 115 of the same decree, (vi) companies, associations and other tax payers provided for in Article 227, paragraph 2 of the Belgian Income Tax Code 1992, which have used the income generating capital for the exercise of their professional activities in Belgium and which are subject to non-resident taxes pursuant to Article 233 of the same code, (vii) the Belgian state in respect of investments which are exempt funds from withholding tax in accordance with Article 265 of the Belgian Income Tax Code 1992, (viii) investment funds governed by the foreign law which are an indivisible estate managed by a management company for the account of the participants when their participation rights are not publicly issued in Belgium and are not traded in Belgium and (ix) resident corporations not provided for under (i) when their activities exclusively of principally consist of the granting of credits and loans.

Eligible Investors do not include, inter alia, Belgian resident investors who are individuals or non-profit making organizations, other than those referred to under (v) above.

Upon opening of an exempt securities account with an X/N System's participant, an Eligible Investor is required to provide a statement of its eligible status on a form approved by the Belgian Minister of Finance. There is no ongoing declaration to the X/N System as to the eligible status of each investor for whom the X/N System's participants hold CASHES in an exempt securities account.

An exempt securities account may be opened with a participant by an intermediary (an "**Intermediary**") in respect of CASHES that the Intermediary holds for the account of its clients; provided that each beneficial owner is an Eligible Investor. In such a case, the Intermediary must deliver to the participant a statement on a form approved by the Belgian Minister of Finance confirming that (i) the intermediary is itself an Eligible Investor, and (ii) the beneficial owners holding their CASHES through it are also Eligible Investors. A beneficial owner is also required to deliver a statement of its eligible status to the Intermediary.

These identification requirements do not apply to non-resident participants, Eligible Investors or beneficial owners who hold the CASHES through Euroclear or Clearstream.

Transfers of CASHES will be effected through the book-entry facilities of the X/N System, the X/N System's participants and their respective participants. Such transfers will be conducted and settled in accordance with the usual rules and operating procedures of the X/N System's respective participants. When conducted through the X/N System, Euroclear or Clearstream, such transfers will be settled in same-day funds in the same manner as conventional eurobonds.

The aggregate holdings of the CASHES in the X/N System, Euroclear and Clearstream, will be reflected in the book-entry accounts of each such institution. The X/N System, Euroclear or Clearstream, as the case may be, and every other intermediate holder in the chain to the beneficial owner of the CASHES, will be responsible for establishing and maintaining accounts for the participants and customers having interests in the book-entry interests in the Notes. The Belgian Paying Agent (the "**Domiciliary Agent**"), will be responsible for ensuring that payments received by it from the Co-obligors for holders of interests in the CASHES are credited to the X/N System participant, Euroclear or Clearstream, as the case may be. Fortis Bank in Brussels will act as Domiciliary Agent.

Purchase of CASHES

None of the Co-obligors nor any of their respective subsidiaries may acquire any CASHES without obtaining prior approval from the applicable regulators, other than in connection with dealings in securities in the ordinary course of business.

Use of Proceeds

Fortis will use the proceeds of the offering to finance part of the consideration payable by Fortis in connection with the acquisition of ABN AMRO by RFS Holdings.

Resale Restrictions

Neither the CASHES nor the Underlying Shares have been or will be registered under the Securities Act. Subject to certain exceptions, neither the CASHES nor the Underlying Shares may be offered or sold within the United States.

In addition, until 40 days after the later of the commencement of the offering and the closing date, any offer or sale of the CASHES within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Listing

Application has been made to list the CASHES on the Luxembourg Stock Exchange for trading on the Euro MTF.

Governing Law

The Indenture and the CASHES shall be governed by the laws of New York, except that the subordination provisions of the Indenture and the CASHES, as such provisions relate to the obligations of any Co-obligor, shall be governed by the laws of the jurisdictions of incorporation of such Co-obligors, as applicable, and the Pledge Agreement shall be governed by the laws of The Netherlands.

Lock-up Agreements

The Co-obligors have agreed, subject to certain exceptions, which shall include the ordinary course issuance of Fortis Shares and options granted pursuant to employee stock plans, for a period of 30 days after the date of the Underwriting Agreement not to (i) offer, allot, issue, pledge, sell, contract to sell, sell any option or contract to purchase, allot, issue, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any CASHES, any Fortis Shares or any ordinary or preference shares, subject to certain exceptions, of Fortis N.V., Fortis SA/NV or any other members of the Fortis Group (collectively, with Fortis Shares, the "**Fortis Group Shares**") or any securities convertible into or exercisable or exchangeable for or evidence a right to acquire CASHES or Fortis Group Shares or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of CASHES or Fortis Group Shares (including derivative transactions), or (iii) initiate, announce or permit any transactions within the meaning of subparagraphs (i) or (ii) above, whether or not such transaction is to be settled by delivery of CASHES, Fortis Group Shares or such other securities, in cash or otherwise.

RISK FACTORS

See "*Risk Factors*" which begin on page 34 for a discussion of certain factors that should be considered in connection with an investment in the CASHES.

RISK FACTORS

Any investment in the CASHES involves risks, including those described in this section. You should carefully consider the following risks and the other information in this Prospectus before deciding whether an investment in the CASHES is suitable for you. If any of the following risks actually occur, the trading price of the CASHES could decline and you could lose all or part of your investment. Additional risks not currently known to Fortis or Fortis Bank or that Fortis or Fortis Bank now deems immaterial may also harm Fortis or Fortis Bank and affect your investment.

Risk Factors Relating to our Business

As part of the financial services industry, we face substantial competitive pressures which could adversely affect our results of operations.

There is substantial competition in the Benelux and the other regions in which we do business for the types of insurance, banking and asset management, and other products and services we provide. Such competition is most pronounced in our core Benelux markets (79% of net profit in 2006 was derived from the Benelux) where we face competition from companies such as ING Group, Aegon N.V., Rabobank, KBC Bank N.V. and Dexia. As a result, our strategy is to maintain customer loyalty and retention, which can be influenced by a number of factors, including service levels, the prices and attributes of products and services, financial strength and claims-paying ratings and actions taken by competitors. If we are unable to compete with attractive product and service offerings that are profitable, we may lose market share or incur losses on some or all of our activities.

Competition in the financial services industry is affected by a high level of consolidation, both at a national and an international level, in the markets in which we operate, as well as by the emergence of alternative distribution channels for many of the products we offer. Consumer demand, technological changes, regulatory actions and other factors also affect competition in our industry. In other international markets, we face competition from the leading domestic and international institutions active in the relevant national and international markets. Competitive pressures could result in increased pricing pressures on a number of our products and services, particularly as competitors seek to win market share, and may harm our ability to maintain or increase profitability.

Market conditions and volatility can adversely affect our results.

Each of our business segments is affected by changing general market conditions, which can cause our results to fluctuate from year to year, as well as on a long-term basis. These conditions include economic cycles such as insurance industry cycles, particularly with respect to non-life insurance, financial market cycles, including volatile movements in market prices for securities, and banking industry cycles. The non-life insurance industry cycles are characterized by periods of price competition, fluctuations in underwriting results and the occurrence of unpredictable weather-related and other losses. Fluctuations in interest rates and exchange rates, monetary policy, consumer and business spending, demographics and changes with respect to mortality, particularly with respect to life insurance, and competitive and other factors also influence our performance. As a result of changing market conditions, and the influence of financial and industry cycles, our results of operations are subject to volatility that may be outside our control. In particular, the profits of most of our merchant banking, securities trading and brokerage activities before taxation may vary significantly from year to year depending on market conditions. Since July of this year, market conditions have been significantly more volatile than in previous periods and there can be no assurance as to the effect of this volatility, particularly if it is prolonged, on the profits of most of our merchant banking, securities trading and brokerage activities before taxation.

As has been well publicized recently, credit markets and sub-prime residential mortgage markets, particularly in the U.S. but also worldwide, have experienced severe dislocations and liquidity disruptions. Sub-prime mortgage loans have recently experienced increased rates of delinquency, foreclosure and loss. These and other related events have had a significant impact on the capital markets associated not only with sub-prime mortgage backed securities, asset backed securities and collateralized debt obligations, but also with credit and financial markets as a whole. As a result, on the date of this Prospectus, banks world-wide operate in a difficult environment characterized by liquidity constraints and increased short-term funding costs. If such circumstances were further to deteriorate or continue for protracted periods of time, this could have a negative impact on the results of our banking business. Although we do not have any direct mortgage financing activities in the U.S., we are exposed to the U.S. sub-prime mortgage market through our ownership of mortgage backed securities, asset backed securities and collateralized debt obligations. In addition, the values of many of the other instruments we hold and invest in are sensitive to dislocations and disruptions in those markets and the valuing of certain of those instruments has become both more uncertain and more difficult due to volatility and lack of liquidity. In addition, as more hedge funds, banks and other institutions are negatively affected by these market disruptions, our merchant banking, securities trading and brokerage activities may be further affected.

Securities market volatility or downturns can adversely affect our banking, asset management and insurance activities.

Market volatility and overall declines in market indices can negatively affect our merchant banking, securities trading, brokerage, asset management and insurance activities. Volatility and declines in market indices can reduce unrealized gains in our various portfolios, the excess solvency margin of our insurance subsidiaries or the demand for some of our banking, asset management or insurance products. We were affected by such declines during the stock market declines in 2000-2002, which adversely impacted investments in, and sales of products linked to, financial assets, particularly equity securities during this period. During this period net operating profit and solvency levels were materially adversely impacted by declines in equity values which affected our operating profit and group equity. Since 2003, financial markets, and equity markets in particular, have recovered and improved significantly, particularly in 2005, which improvement had a material positive effect on various of our businesses. Since July of this year, however, both the credit and the equity markets have been very volatile. There is no assurance that such a volatility will not result in a prolonged market decline, or such market declines for other reasons will not occur in the future. Such market declines, if they did occur, could have a material adverse effect on our financial condition and results of operations. Market downturns and high volatility can occur not only as a result of purely economic factors, but also as a result of war, acts of terrorism, natural disasters or other similar events outside our control.

Volatility in interest rates may adversely affect our insurance, banking and asset management businesses.

Fluctuations in interest rates affect the returns we earn on fixed interest investments. Interest rate changes also affect the market values of, and the amounts of capital gains or losses we take on, the fixed interest securities we hold. These fluctuations and changes affect our net interest income and recognized gains and losses on securities held in our investment portfolios.

While we reduce the impact of interest rate fluctuations on our life insurance business by transferring interest rate exposure to some policyholders through product design, our insurance business can be adversely affected by sustained low interest rates as well as certain interest rate movements. In particular, the profitability of spread-based insurance products depends in large part upon the ability to manage interest rate spreads and the credit and other risks inherent in the investment portfolio. In addition, certain of our traditional life insurance products provide for guaranteed returns. Although the impact of such guarantees on results of operations will be spread out over a period of years in a sustained low interest rate environment, such guarantees may also affect profitability. There can be no assurance that we will be able to successfully manage interest rate spreads or the potential negative impact of risks associated with sustained low rates or interest rate changes.

The results of our banking operations are affected by our management of interest rate sensitivity. Interest rate sensitivity refers to the relationship between changes in market interest rates and changes in net interest income. The composition of our banking assets and liabilities, and any gap position resulting from the composition, causes our banking operations' net interest income to vary with changes in interest rates. In addition, variations in interest rate sensitivity may exist within the repricing periods or between the different currencies in which we hold interest rate positions. A mismatch of interest-earning assets and interest-bearing liabilities in any given period may, in the event of changes in interest rates, have a material effect on the financial condition or results of operations of our banking businesses.

Asset illiquidity can adversely affect our business.

Liquidity risk is inherent in much of our business. Each asset purchased and liability sold has liquidity characteristics that are unique. Some liabilities are surrenderable while some assets, such as privately placed loans, mortgage loans, real estate and limited partnership interests, have low liquidity. Additionally, protracted market declines can reduce the liquidity of markets that are typically liquid. If, in the course of our banking, insurance or other activities, we require significant amounts of cash on short notice in excess of anticipated cash requirements, we may have difficulty selling these investments at attractive prices, in a timely manner, or both.

Our risk management methods may leave us exposed to unidentified, unanticipated or incorrectly quantified risks, which could lead to material losses or material increases in liabilities.

We devote significant resources to developing risk management policies, procedures and assessment methods for our banking, insurance and asset management businesses. We use a sophisticated value-at-risk (VaR) model, duration analysis and sensitivity analysis as well as other risk assessment methods. Nonetheless, our risk management techniques and strategies may not be fully effective in mitigating our risk exposure in all economic market environments or against all types of risk, including risks that we fail to identify or anticipate. Some of our qualitative tools and metrics for managing risk are based upon use of observed historical market behaviour. We apply statistical and other tools to these observations to arrive at quantifications of risk exposures. These tools and metrics may fail to predict future risk exposures. Our losses thus could be significantly greater than our measures would indicate. In addition, our quantified modelling does not take all risks into account. Our more qualitative approach to managing risks takes into account a broader set of risks, but is less precise than quantified modelling and could prove insufficient. Unanticipated or incorrectly quantified risk exposures could result in material losses in our insurance, banking and asset management businesses.

While we manage our operational risks, these risks remain an inherent part of all of our businesses.

The operational risks that we face include the possibility of inadequate or failed internal or external processes or systems, human error, regulatory breaches, employee misconduct or external events such as fraud. These events can potentially result in financial loss as well as harm to our reputation. Additionally, the loss of key personnel could adversely affect our operations and results.

Our business inherently generates operational risks. The business is dependent on processing a large number of complex transactions across numerous and diverse products, and is subject to a number of different legal and regulatory regimes. Additionally, because of the long-term nature of much of our business, accurate records have to be maintained for significant periods.

We attempt to keep operational risks at appropriate levels by maintaining a sound and well controlled environment in light of the characteristics of our business, the markets and the regulatory environments in which we operate. While these control measures mitigate operational risks they do not eliminate them.

Our insurance business is subject to risks concerning the adequacy of our technical provisions to cover future losses and benefits.

Our technical provisions may prove to be inadequate to cover our actual losses and benefits experience. For example, we derive our life and health insurance reserves from actuarial practices and assumptions, including an assessment of mortality and morbidity rates. If the actual future mortality and morbidity rates deviate from those we have projected, our insurance reserves could be inadequate. Other assumptions that influence insurance reserves relate to long-term development of interest rates, guaranteed return levels, investment returns, policyholder bonus rates, policyholder lapses and future expense levels. Additionally, some of our insurance products are affected by certain unpredictable events, including catastrophic events. For example, some weather-related events could result in substantial costs to us.

To the extent that technical provisions are insufficient to cover our actual insurance losses, loss adjustment expenses or future policy benefits, we would have to add to these technical provisions and incur a charge to our earnings. Additional losses, including losses arising from changes in the legal environment, the type or magnitude of which we cannot foresee, may emerge in the future. Any insufficiencies in technical provisions for future claims could have a material adverse effect on our consolidated financial condition, results of operations and cash flows.

We have significant counterparty risk exposure.

We are subject to general credit risks, including credit risks of borrowers, as well as credit risks of our reinsurers. Third parties that owe us money, securities or other assets may not pay or perform under their obligations. These parties include borrowers under loans made, the issuers whose securities we hold, customers, trading counterparties, counterparties under swaps and credit and other derivative contracts, clearing agents, exchanges, clearing houses and other financial intermediaries. These parties may default on their obligations to us due to bankruptcy, lack of liquidity, downturns in the economy or real estate values, operational failure or other reasons.

We transfer our exposure to certain risks in our non-life and life insurance businesses to others through reinsurance arrangements. Under these arrangements, other insurers assume a portion of our losses and expenses associated with reported and unreported losses in exchange for a portion of policy premiums. The availability, amount and cost of reinsurance depend on general market conditions and may vary significantly. Any decrease in the amount of our reinsurance relative to our own primary insurance liability will increase our risk of loss. When we obtain reinsurance, we are still liable for those transferred risks if the reinsurer cannot meet its obligations. Therefore, the inability of our reinsurers to meet their financial obligations could materially affect our results of operations. Although we conduct periodic reviews of the financial statements and reputations of our reinsurers, the reinsurers may become financially unsound by the time they are called upon to pay amounts due, which may not occur for many years.

Catastrophic events, terrorist attacks and other acts of war could have a negative impact on our business and results.

Catastrophic events, terrorist attacks, other acts of war or hostility, and responses to those acts may create economic and political uncertainties, which could have a negative impact on economic conditions in the regions in which we operate and, more specifically, on our business and results in ways that cannot be predicted.

Our results of operations can be adversely affected by significant adverse regulatory developments, including changes in tax laws.

We conduct our businesses subject to ongoing regulation and associated regulatory risks, including the effects of changes in the laws, regulations, policies and interpretations in the European Union, the Benelux and the other regions in which we do business. The timing and form of future changes in regulation are unpredictable and beyond our control, and changes made could materially adversely affect our business, the products and services we offer or the value of our assets or extent of our liabilities.

Insurance products enjoy certain tax advantages, particularly in The Netherlands, which permit the tax-deferred accumulation of earnings on the premiums paid by the holders of annuities and life insurance products under certain conditions and within limits. Taxes, if any, are payable on accumulated tax-deferred earnings when earnings are actually paid. Recent tax changes have included the abolition of a standard amount of tax-deductible life insurance premium. This has reduced the attractiveness of life insurance products in The Netherlands. The current administration in The Netherlands has indicated that it is contemplating further changes in tax law. These changes could affect the tax advantages of certain of our products, including group savings products. twenty-eight per cent of our total insurance business in 2006, (based on gross premiums written), was derived from our Netherlands life insurance business. Any changes in Dutch tax law, or the tax laws of other jurisdictions in which we operate which affect our products, could have a material adverse effect on our insurance or other businesses and results of operations and financial condition.

Our business is sensitive to changes in governmental policies and international economic conditions that could limit our operating flexibility and reduce our profitability.

Our business and results of operations may be materially affected by market fluctuations and by economic factors, including governmental, political and economic developments relating to inflation, interest rates, taxation, currency fluctuations, trade regulations, social or political instability, diplomatic relations, international conflicts and other factors that could limit its operating flexibility and reduce our profitability. In addition, results of operations in the past have been, and in the future may continue to be, materially affected by many factors of a global nature, including: political, economic and market conditions; the availability and cost of capital; the level and volatility of equity prices, commodity prices and interest rates; currency values and other market indices; technological changes and events; the availability and cost of credit; inflation; and investor sentiment and confidence in the financial markets. In addition, there has been a heightened level of legislative, legal and regulatory developments related to the financial services industry in the European Union, the United States and elsewhere that potentially could increase costs, thereby affecting our future results of operations. Such factors may also may have an impact on our ability to achieve our strategic objectives on a global basis.

In addition, there is continuing political and regulatory scrutiny of the operation of the retail banking and consumer credit industries in Belgium, The Netherlands and elsewhere. The nature and impact of future changes in policies and regulatory action are not predictable and are beyond our control but could have an adverse impact on our businesses and earnings.

In the European Union, these regulatory actions included an inquiry into retail banking in all of the Member States by the European Commission's Directorate General for Competition. The inquiry examined retail banking in Europe generally. On January 31, 2007, the European Commission announced that barriers to competition in certain areas of retail banking, payment cards and payment systems in the European Union had been identified. The European Commission indicated that it will use its powers to address these barriers and will encourage national competition authorities to enforce European and national competition laws where appropriate. Any action taken by the European Commission and national competition authorities could have an adverse impact on our payment cards and payment systems businesses and on our retail banking activities in the European Union countries in which we operate.

Litigation or other proceedings or actions may adversely affect our business, financial condition and results of operations.

Our business is subject to the risk of litigation by customers, employees, shareholders or others through private actions, class actions, administrative proceedings, regulatory actions or other litigation. The outcome of litigation or similar proceedings or actions is difficult to assess or quantify. Plaintiffs in these types of actions may seek recovery of large or indeterminate amounts or other remedies that may affect our ability to conduct business, and the magnitude of the potential loss relating to such actions may remain unknown for substantial periods of time. The cost to defend future actions may be significant. There may also be adverse publicity associated with litigation that could decrease customer acceptance of our services, regardless of whether the allegations are valid or whether we are ultimately found liable. As a result, litigation may adversely affect our business, financial condition and results of operations.

Risks relating to the ABN AMRO Acquisition

The uncertainties about the effects of the ABN AMRO Acquisition could materially and adversely affect the businesses and operations of ABN AMRO to be acquired by Fortis.

Uncertainty about the effects of the ABN AMRO Acquisition on employees, partners, regulators and customers may materially and adversely affect the ABN AMRO Businesses acquired by Fortis and their operations. These uncertainties could cause customers, business partners and other parties that have business relationships with ABN AMRO to defer the consummation of other transactions or other decisions concerning ABN AMRO Businesses, or to seek to change existing business relationships with ABN AMRO. In addition, employee retention may be challenging until the ABN AMRO Acquisition is completed.

We may fail to realize the anticipated business growth opportunities, synergies and other benefits anticipated from the transaction and our results of operations, financial condition and the price of our ordinary shares may suffer.

There is no assurance that our acquisition of the ABN AMRO Businesses will achieve the anticipated business growth opportunities, synergies and other benefits Fortis anticipates. Fortis believes the offer consideration is justified, in part, by the business growth opportunities, synergies, revenue benefits, cost savings and other benefits it expects to achieve by combining its operations with the ABN AMRO Businesses. However, these expected business growth opportunities, synergies and other benefits may not develop and other assumptions upon which Fortis determined the offer consideration may prove to be incorrect, as, among other things, such assumptions were based on publicly available information.

The reorganization plan is complex and involves a restructuring of, and the implementation of substantial changes to, a significant portion of ABN AMRO's operations. In addition, the reorganization contemplates actions being taken in a number of businesses and jurisdictions simultaneously. Implementation of the planned reorganization and realisation of the forecast benefits will be challenging within the timeframe contemplated. Successful implementation of this plan will require a significant amount of management time and, thus, may affect or impair management's ability to run the business effectively during the period of implementation. In addition, we may not have, or be able to retain, personnel with the appropriate skill sets for the tasks associated with Fortis' reorganization plan, which could adversely affect the implementation of the plan.

The estimated expense savings and revenue synergies contemplated by the reorganization plan are significant. There can be no assurance that Fortis will realize these benefits in the time expected or at all. In addition, Fortis currently anticipates that the total costs associated with the implementation of the reorganization will amount to approximately EUR 1.54 billion and there can be no assurance that the costs will not exceed this amount.

In particular, the reorganization plan currently contemplated may have to be modified as a result of employee consultations and approvals, which may delay its implementation. Fortis may also face challenges in obtaining the required approvals of various regulatory agencies, any of which could refuse or impose conditions or restrictions on its approval, retaining key employees, redeploying resources in different areas of operations to improve efficiency, minimising the diversion of management attention from ongoing business concerns, and addressing possible differences between our business culture, processes, controls, procedures and systems and those of the ABN AMRO Businesses. In addition, because Fortis has had only limited access to information regarding ABN AMRO's tax situation and structure, unanticipated substantial tax costs may be incurred in the implementation of the reorganization plan.

The complex nature of the reorganization plan and the level of cooperation required among the Consortium Banks could have adverse consequences on the transaction and our ability to realize benefits therefrom.

Although the Consortium and Shareholders' Agreement (as defined in "*Information About the Acquisition of ABN AMRO*" below) provides a mechanism for assets to be re-allocated or transferred among the Consortium Banks where it is established that any asset is held by or will be held by the wrong Consortium Bank, disputes may otherwise arise in implementing the Consortium and Shareholders' Agreement. Such disputes would be resolved in accordance with the dispute resolution processes set out in the Consortium and Shareholders' Agreement. Whilst these processes have been designed to resolve any disagreements swiftly, such disputes could result in delay to implementation of the reorganization.

Under any of these circumstances, the business growth opportunities, synergies, revenue benefits, cost savings and other benefits anticipated by Fortis to result from the reorganization may not be achieved as expected, or at all, or may be delayed. To the extent that Fortis incurs higher integration costs or achieves lower revenue benefits or fewer cost synergies than expected, its results of operations, financial condition and the price of our ordinary shares may suffer.

Compliance with conditions and obligations imposed in connection with regulatory approvals in connection with the ABN AMRO Acquisition could adversely affect Fortis businesses and the ABN AMRO Businesses.

The acquisition and subsequent proposed restructuring of ABN AMRO has required various approvals or consents from, among others, the Dutch Central Bank, the Board of Governors of the U.S. Federal Reserve System, the UK Financial Services Authority (the "**FSA**"), the Bank of Spain, the European Commission and various other bank regulatory, antitrust, securities, insurance and other authorities in The Netherlands, the United States, the UK, Spain, Belgium, other countries of the European Union and any other member state of the European Union that has successfully sought jurisdiction to review the ABN AMRO Offer under its national competition law and certain other jurisdictions. The subsequent proposed restructuring of the ABN AMRO group may also require further antitrust clearance in, among other jurisdictions, the United Sates, Russia and Argentina. The governmental entities from which these approvals are required, including the Dutch Central Bank, the U.S. Federal Reserve Board, the FSA and the European Commission and others, may refuse to grant such approval, or may impose conditions on, or require divestitures or other changes in connection with, the completion of the transaction. In this regard, in order to solve competition concerns of the Commission in the commercial banking segment in The Netherlands, on October 3, 2007, the European Commission granted Fortis permission to acquire the ABN AMRO Businesses subject to the business dispositions described in the Cautionary Statement in the "*Information about the Acquisition of ABN AMRO*" section below. These or any conditions, remedies or changes could have the effect of delaying completion of the acquisition and reorganization of ABN AMRO, reducing the anticipated benefits of the transaction or imposing additional costs on or limiting our revenues following the transaction, any of which might have a material adverse effect on Fortis following the transaction. In order to obtain these regulatory approvals, Fortis may have to divest, or commit to divesting, certain additional businesses or assets to third parties. In addition, Fortis may be required to make other commitments to regulatory authorities.

These divestitures and other commitments, if any, may have an adverse effect on Fortis' business, results of operations, financial condition or prospects after the transaction.

In addition, the DNB has imposed and made public certain specific restrictions and conditions on the reorganization process (as more fully described in "*Information About the Acquisition of ABN AMRO —*

Details of the ABN AMRO Offer— Regulatory Matters" below) and it may impose further restrictions and conditions, some of which may adversely affect Fortis' business, results of operations, financial condition or prospects after the transaction.

Certain jurisdictions claim jurisdiction under their competition or antitrust laws in respect of acquisitions or mergers that have the potential to affect their domestic marketplace. A number of these jurisdictions may claim to have jurisdiction to review the acquisition and reorganization of ABN AMRO. Such investigations or proceedings may be initiated and, if initiated, may have an adverse effect on Fortis' business, results of operations, financial condition or prospects after the transaction. For further details on the status of the approval process, please see "*Information About the Acquisition of ABN AMRO — Details of the ABN AMRO Offer — Regulatory Matters*" below.

We have conducted only a limited due diligence review of ABN AMRO and, since the closing of the ABN AMRO Offer have had only limited access to additional information, and therefore Fortis may become subject to unknown liabilities of ABN AMRO, in particular, with respect to the ABN AMRO Businesses, which may have an adverse effect on Fortis' financial condition and results of operations.

In making the ABN AMRO Offer and determining its terms and conditions, we relied principally on publicly available information relating to ABN AMRO and the ABN AMRO Businesses, including the ABN AMRO Form 20-F (as defined above), as filed with the SEC on April 2, 2007 and Current Reports on Form 6-K submitted by ABN AMRO to the SEC prior to the date hereof. We have also conducted a limited, high-level due diligence review of additional information about ABN AMRO and the ABN AMRO Businesses that was provided to us by ABN AMRO. This information in relation to ABN AMRO and the ABN AMRO Businesses has not been subject to comment or verification by ABN AMRO, the Consortium Banks or their respective directors. As a result, Fortis may be subject to unknown liabilities of ABN AMRO, which may have an adverse effect on Fortis' financial condition and results of operations.

Consummation of the ABN AMRO Offer may result in adverse tax consequences resulting from a change of ownership of ABN AMRO.

We have had access only to publicly available information concerning ABN AMRO's tax situation. It is possible that the consummation of the ABN AMRO Offer may result in adverse tax consequences arising from a change of ownership of ABN AMRO and the ABN AMRO Businesses. The tax consequences of a change of ownership of a corporation can lead to an inability to carry-over certain tax attributes, including, but not limited to, tax losses, the tax credits and/or tax basis of assets. Moreover, a change of ownership may result in other tax costs not normally associated with the ordinary course of business. Such other tax costs include, but are not limited to, stamp duties, land transfer taxes, franchise taxes and other levies.

Change of control provisions in ABN AMRO's agreements may be triggered upon the completion of the ABN AMRO Offer, upon RFS Holdings' acquisition of 100% of ABN AMRO or upon the completion of the reorganization, and may lead to adverse consequences for Fortis, including the loss of significant contractual rights and benefits, the termination of joint venture and/or licensing agreements or the requirement to repay outstanding indebtedness.

ABN AMRO may be a party to joint ventures, licences and other agreements and instruments that contain change of control provisions that will be triggered upon the completion of the ABN AMRO Offer, upon RFS Holdings' acquisition of 100% of ABN AMRO or upon completion of the reorganization. ABN AMRO has not provided us with copies of any of the agreements to which it is party and these agreements are not generally publicly available.

Agreements with change of control provisions typically provide for or permit the termination of the agreement upon the occurrence of a change of control of one of the parties or, in the case of debt instruments, require repayment of all outstanding indebtedness. If, upon review of these agreements after completion of the ABN AMRO Offer, RFS Holdings determines that such provisions can be waived by the relevant counterparties, it will consider whether it will seek these waivers. In the absence of these waivers, the operation of the change of control provisions, if any, could result in the loss of material contractual rights and benefits, the termination of joint venture agreements and licensing agreements or the requirement to repay outstanding indebtedness.

In addition, employment agreements with members of the ABN AMRO senior management and other ABN AMRO employees may contain change of control provisions providing for compensation to be paid in the event the employment of these employees is terminated, either by ABN AMRO or by those employees, following completion of the ABN AMRO Offer, RFS Holdings' acquisition of 100% of ABN AMRO or completion of the post-closing reorganization. Such employment agreements may also contain change of control provisions providing for compensation to be paid following the occurrence of such events even if the employee is not terminated. We have established a reserve in respect of losses arising on the operation of change of control provisions, including compensation arising on change of control clauses in employment agreements. If payments made under these provisions were substantially in excess of the reserve, our results of operations in the period they become payable could be adversely affected.

Fortis will incur substantial transaction and offer-related costs in connection with the ABN AMRO Offer.

Fortis expects to incur a number of non-recurring transaction fees and other costs associated with completing the ABN AMRO Offer, combining its operations with the ABN AMRO Businesses and achieving desired synergies. These fees and costs will be substantial and include financing, financial advisory, legal and accounting fees and expenses. Additional unanticipated costs may be incurred in the integration of Fortis and the ABN AMRO Businesses. Although Fortis expects that the realisation of other efficiencies related to the transaction will offset the incremental and transaction costs over time, this net benefit may not be achieved in the near term, or at all.

You may not be able to effectively compare our future financial statements to our, or ABN AMRO's, historical financial statements or those of ABN AMRO.

Fortis is not acquiring all of ABN AMRO, and the businesses which Fortis is acquiring are not currently segregated by segment or business line in ABN AMRO's financial statements. In addition, prior to the acquisition, the ABN AMRO Businesses did not operate as a stand-alone company and relied upon their parent entities for administrative, treasury, management and other services. As a result, the consolidated financial statements of ABN AMRO and the financial information regarding the ABN AMRO Businesses included in this Prospectus do not necessarily reflect what the ABN AMRO Businesses' results of operations, financial position or cash flows will be in the future or what its results of operations, financial position or cash flow would have been in the past had the ABN AMRO Businesses been a stand-alone company during the periods presented. In addition, the proposed acquisition will be a fundamental change to the organization, business segments and reporting of Fortis as compared with periods prior to the transaction. Accordingly, you may not be able to effectively compare Fortis 2006, 2007 and future consolidated financial statements to the historical financial statements of ABN AMRO or the ABN AMRO Businesses.

Risks related to ABN AMRO and the ABN AMRO Businesses

The following risk factors are taken directly as drafted in ABN AMRO's Annual Report on Form 20-F, as filed with the SEC on April 2, 2007 (the "ABN AMRO Form 20-F"). Although Fortis has no knowledge that would indicate that any of these risk factors are inaccurate, incomplete or untrue, Fortis was not involved in the preparation of such risk factors and, therefore, cannot verify the accuracy, completeness or truth of such risk factors or any failure by ABN AMRO to disclose any other risk factors which may be material to ABN AMRO or the ABN AMRO Businesses. For purposes of the risk factors included in this subsection only, the terms "we" and "our" refer to ABN AMRO Holding N.V. and its consolidated subsidiaries.

Our results can be adversely affected by general economic conditions and other business conditions.

Changes in general economic conditions, the performance of financial markets, interest rate levels, the policies and regulations of central banks or other business conditions may negatively affect our financial performance by affecting the demand for our products and services, reducing the credit quality of borrowers and counterparties, putting pressure on our loan loss reserves, changing the interest rate margin between our lending and borrowing costs, changing the value of our investment and trading portfolios and putting pressure on our risk management systems.

Changes in interest rate and foreign exchange rates may adversely affect our results.

Fluctuations in interest rates and foreign exchange rates, particularly in our three home markets of The Netherlands, the United States Midwest and Brazil and in Italy where we have a significant presence, influence our performance. The results of our banking operations are affected by our management of interest rate sensitivity. Interest rate sensitivity refers to the relationship between changes in market interest rates and changes in net interest income. A mismatch of interest-earning assets and interest-bearing liabilities in any *given period may, in the event of changes in interest rates, have a material adverse effect on the financial condition of our business or results from operations. In addition, we publish our consolidated financial statements in euros. Fluctuations in the exchange rates used to translate other currencies into euros affect our reported consolidated financial condition, results of operations and cash flows from year to year.*

For 2006, 14.9% of our operating income and 14.4% of our operating expenses were denominated in USD and 13.6% of our operating income and 10.2% of our operating expenses were denominated in Brazilian Real. For 2005, 18.5% of our operating income and 18.3% of our operating expenses were denominated in USD and 11.8% of our operating income and 10.1% of our operating expenses were denominated in Brazilian Real. For a discussion of how interest rate risk and foreign exchange rate fluctuation risk is managed, see "Item 11. Quantitative and Qualitative Disclosures about Market Risk" [in the ABN AMRO Form 20-F] as well as Note 39 to [ABN AMRO's] consolidated financial statements.

Our performance is subject to substantial competitive pressures that could adversely affect our results of operations.

There is substantial competition for the types of banking and other products and services that we provide in the regions in which we conduct large portions of our business, including The Netherlands, the United States and Brazil. The intensity of this competition is affected by consumer demand, technological changes, the impact of consolidation, regulatory actions and other factors. We expect competition to intensify as continued merger activity in the financial services industry produces larger, better-capitalized companies that are capable of offering a wider array of products and services, and at more competitive prices. In addition, technological advances and the growth of e-commerce have made it possible for non-depositary institutions to offer products and services that were traditionally banking products and for financial institutions to compete with technology companies in providing electronic and internet-based financial solutions. If we are unable to provide attractive product and service offerings that are profitable, we may lose market share or incur losses on some or all of our activities.

Regulatory changes or enforcement initiatives could adversely affect our business.

We are subject to banking and financial services laws and government regulation in each of the jurisdictions in which we conduct business. Banking and financial services laws, regulations and policies currently governing us and our subsidiaries may change at any time in ways which have an adverse effect on our business. If we fail to address, or appear to fail to address, these changes or initiatives in an appropriate way, our reputation could be harmed and we could be subject to additional legal risk. This could, in turn, increase the size and number of claims and damages asserted against us or subject us to enforcement actions, fines and penalties. As previously reported, in July 2004 we signed a Written Agreement with the U.S. regulatory authorities concerning our dollar clearing activities in the New York branch. In addition, in December 2005, we agreed to a Cease and Desist Order with the Dutch Central Bank and various U.S. federal and state regulators. This involved an agreement to pay an aggregate civil penalty of USD 75 million and a voluntary endowment of USD 5 million in connection with deficiencies in the U.S. dollar clearing operations at the New York branch and OFAC compliance procedures regarding transactions originating at the Dubai branch. See "Item 4. Information on the Company — B. Business overview — Legal and regulatory proceedings" [in the ABN AMRO Form 20-F]. We and members of our management continue to provide information to law enforcement authorities in connection with ongoing criminal investigations relating to our dollar clearing activities, OFAC compliance procedures and other Bank Secrecy Act compliance matters. These compliance issues and the related sanctions and investigations have had, and will continue to have, an impact on the Bank's operations in the United States, including limitations on expansion. The Bank is actively exploring all possible options to resolve these issues. The ultimate resolution of these compliance issues and related investigations and the nature and severity of possible additional sanctions cannot be predicted, but regulatory and law enforcement authorities have been imposing severe and significant monetary and other penalties against a number of banking institutions for violations of the Bank Secrecy Act and related statutes.

There is operational risk associated with our industry which, when realized, may have an adverse impact on our results.

We, like all financial institutions, are exposed to many types of operational risk, including the risk of fraud or other misconduct by employees or outsiders, unauthorized transactions by employees and operational errors, including clerical or record keeping errors or errors resulting from faulty computer or telecommunications systems. We may also be subject to disruptions of our operating systems, arising from events that are wholly or partially beyond our control (including, for example, computer viruses or electrical *or telecommunication outages), which may give rise to losses in service to customers and to loss or liability to us. We are further exposed to the risk that external vendors may be unable to fulfil their contractual obligations to us, and to the risk that their business continuity and data security systems prove to be inadequate. We also face the risk that the design of our controls and procedures prove to be inadequate or are circumvented. Although we maintain a system of controls designed to keep operational risk at appropriate levels, we have suffered losses from operational risk in the past and there can be no assurance that we will not suffer material losses from operational risk in the future.*

For a discussion of how operational risk is managed see "Item 11. Quantitative and Qualitative Disclosures about Market Risk" [in the ABN AMRO Form 20-F].

We are subject to credit, market and liquidity risk, which may have an adverse effect on our credit ratings and our cost of funds.

Our banking businesses establish instruments and strategies that we use to hedge or otherwise manage our exposure to credit, market and liquidity risk. To the extent our assessments of migrations in credit quality and of risk concentrations, or our assumptions or estimates used in establishing our valuation models for the fair value of our assets and liabilities or for our loan loss reserves, prove inaccurate or not predictive of actual results, we could suffer higher-than-anticipated losses. For more information relating to our credit ratings, refer to "Item 5. Operating and Financial Review and Prospects — B. Liquidity and capital resources" [in the ABN AMRO Form 20-F]. Any downgrade in our ratings may increase our borrowing costs, limit our access to capital markets and adversely affect the ability of our businesses to sell or market their products, engage in business transactions — particularly longer term and derivatives transactions — and retain our current customers. This, in turn, could reduce our liquidity and have an adverse effect on our operating results and financial condition.

Systemic risk could adversely affect our business.

In the past, the general credit environment has been adversely affected by significant instances of fraud. Concerns about, or a default by, one institution could lead to significant liquidity problems, losses or defaults by other institutions because the commercial soundness of many financial institutions may be closely related as a result of their credit, trading, clearing or other relationships. This risk is sometimes referred to as 'systemic risk' and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges with whom we interact on a daily basis, and could have an adverse effect on our business.

Increases in our allowances for loan losses may have an adverse effect on our results.

Our banking businesses establish provisions for loan losses, which are reflected in the loan impairment and other credit risk provisions on our income statement, in order to maintain our allowance for loan losses at a level that is deemed to be appropriate by management based upon an assessment of prior loss experiences, the volume and type of lending being conducted by each bank, industry standards, past due loans, economic conditions and other factors related to the collectability of each entity's loan portfolio. For further information on our credit risk management, refer to "Item 11. Quantitative and Qualitative Disclosures about Market Risk" [in the ABN AMRO Form 20-F]. Although management uses its best efforts to establish the allowances for loan losses, that determination is subject to significant judgment, and our banking businesses may have to increase or decrease their allowances for loan losses in the future as a result of increases or decreases in non-performing assets or for other reasons. Please also refer to the section "Accounting Policies" included in our consolidated financial statements. Any increase in the allowances for loan losses, any loan losses in excess of the previously determined provisions with respect thereto or changes in the estimate of the risk of loss inherent in the portfolio of non-impaired loans could have an adverse effect on our results of operations and financial condition.

We depend on the accuracy and completeness of information about customers and counterparties.

In deciding whether to extend credit or enter into other transactions with customers and counterparties, we may rely on information furnished to us by or on behalf of the customers and counterparties, including financial statements and other financial information. We also may rely on the audit report covering those financial statements. Our financial condition and results of operations could be negatively affected by relying on financial statements that do not comply with generally accepted accounting principles or that are materially misleading.

We are subject to legal risk, which may have an adverse impact on our results.

It is inherently difficult to predict the outcome of many of the litigations, regulatory proceedings and other adversarial proceedings involving our businesses, particularly those cases in which the matters are brought on behalf of various classes of claimants, seek damages of unspecified or indeterminate amounts or involve novel legal claims. In presenting our consolidated financial statements, management makes estimates regarding the outcome of legal, regulatory and arbitration matters and takes a charge to income when losses with respect to such matters are probable and can be reasonably estimated. Changes in our estimates may have an adverse effect on our results. Please also refer to "Item 4. Information on the Company — B. Business overview — Legal and regulatory proceedings" [in the ABN AMRO Form 20-F].

Risk Factors Relating to Purchase of the CASHES

Holders of CASHES will have only limited recourse to recover repayment of their principal investment.

The sole recourse of the Holders of CASHES against any of the Co-obligors with respect to the principal amount of the CASHES will be the Underlying Shares (or other securities that replace the Underlying Shares pursuant to the Indenture). Whether or not the market value of Underlying Shares delivered to a Holder of CASHES is equal to the principal amount of the CASHES, the obligations of the Co-obligors to the Holders will be satisfied in full. Although, in the event of Bankruptcy Proceedings applicable to all of the Co-obligors there is only limited recourse to recover principal, the Holders of CASHES will continue to have claims, as unsecured subordinated creditors for any past due Coupons. Any such payments of past due coupons will be subject to the subordination provisions of the Indenture.

The Parent Companies are not operating companies and rely on distributions from their subsidiaries to satisfy their obligations; these subsidiaries are highly regulated and such regulations could impose restrictions on such distributions

The Parent Companies' assets consist solely of their investments in the operating subsidiaries of the Fortis Group. Accordingly, the cash flow and the consequent ability to service obligations of the Parent Companies are primarily dependent upon the earnings of their subsidiaries, and the distribution of those earnings to the Parent Companies.

In addition, the payment of distributions and the making of loans and other advances to the Parent Companies by their subsidiaries are and may continue to be subject to certain statutory and regulatory restrictions. The Dutch and Belgian banking and insurance regulators and/or United States federal or state regulatory authorities, as well as European Union regulatory authorities, certain Belgian authorities, and regulatory authorities in other countries, have regulatory authority over each Parent Company and its subsidiaries. Under certain circumstances, any of such regulatory authorities, could make determinations or take decisions in the future with respect to the Parent Companies and/or any of the Parent Companies' subsidiaries or a portion of their respective operations or assets that could adversely affect the ability of Fortis Bank or the Parent Companies to, among other things, make distributions to their respective security holders, to engage in transactions with affiliates, to purchase or transfer assets, to pay their respective obligations or to make any redemption or liquidation payments to their security holders. See "*Supervision and Regulation*".

Furthermore, the Parent Companies' rights and the rights of their creditors, to participate in the distribution of assets of any subsidiary upon such subsidiary's liquidation or reorganization will be effectively subordinated to all existing and future liabilities, including trade payables, of such subsidiary, except to the extent that the Co-obligors are themselves recognized as creditors of such subsidiary, in which case the claims of the Co-obligors would still be subordinate to any security interests in the assets of such subsidiary and any indebtedness of such subsidiary senior to that held by the Co-obligors.

Holders of CASHES may not receive full payment of coupons

The Co-obligors will be permitted to satisfy their obligations on an Alternative Coupon Satisfaction Date only by means of the Alternative Coupon Satisfaction Method. The Alternative Coupon Satisfaction Method involves the sale of Fortis Shares in the market. In connection with any Exceptional Alternative Coupon, to the extent the proceeds from such sale are not adequate to pay the full amount of the coupons then due, the Co-obligors are nonetheless deemed to have satisfied their obligations in full and holders of the CASHES will have no claim for any amounts not paid. In addition, the occurrence of a Postponement Event could result in the use of the Alternative Coupon Payment Method and the payment of Coupons being deferred indefinitely. See "*Description of the Securities — Alternative Coupon Satisfaction Method*".

Because the Co-obligors' obligations to pay coupons on the CASHES will be deeply subordinated, each of the Co-obligors will pay its other debt obligations before it pays you.

The obligations of each Co-obligor to pay coupons on the CASHES rank subordinate to and junior in right of payment to all its other indebtedness and obligations, including any preference shares, except any indebtedness or obligations that, expressly or by applicable law, is *pari passu* with or subordinated to the CASHES, and except any ordinary shares of Fortis Bank and any Fortis Shares. This means that if any of the Co-obligors fails to pay any liability that is senior to the CASHES, it may not be permitted to make payments of the coupons on the CASHES. Also, if any of the Co-obligors is bankrupt or liquidates or dissolves, such Co-obligor or its trustee will use the assets of such Co-obligor to pay obligations on all liabilities ranking senior to the CASHES before making cash payments on the past due Coupons. In addition, under the terms of the CASHES you will only be entitled to receive the Fortis Shares with respect to your principal in the event of a bankruptcy or insolvency proceeding applicable to all of the Co-obligors.

Each of the Co-obligors can issue additional debt which it would pay before making payments on the CASHES.

Neither the CASHES nor the Indenture prohibit any of the Co-obligors from incurring any debt and each of the Co-obligors may incur additional debt (including secured debt) that is senior or ranks equal to the CASHES at any time without your approval. The Co-obligors' obligations to pay Coupons under the CASHES rank subordinate to substantially all of its other obligations, including indebtedness for money borrowed, and any preference shares of such Co-obligor.

Failure by a holder to provide required certifications to comply with applicable securities laws will result in receipt of cash rather than Fortis Shares.

If a Holder of CASHES fails to provide any certification of beneficial ownership by or on behalf of such beneficial owner required pursuant to the Terms and Conditions of the CASHES to comply with applicable securities laws in connection with any delivery to such Holder of Fortis Shares, rights or other securities, such Fortis Shares, rights or other securities will be delivered to the Trustee on behalf of such Holder and the Trustee will use reasonable endeavors on normal market terms to procure purchasers for such Fortis Shares, rights or other securities and the proceeds from such sale will be distributed to such beneficial owner in accordance with the terms of the Indenture. Even if the proceeds from such sale are less than the market value of such Fortis Shares, rights or securities at the time of delivery, the Co-obligors will nonetheless be deemed to have satisfied their obligations in full.

There are limitations on the transferability of the CASHES and of the Fortis Shares deliverable upon exchange of the CASHES

The CASHES and the Fortis Shares deliverable upon exchange of the CASHES have not been registered under the Securities Act nor with any securities commission or regulatory authorities of any state of the United States and may not be offered or sold in the United States unless registered under the Securities Act or exempt from such requirements. As a result the CASHES will not be freely tradeable in the United States upon their acquisition. Investors will be subject to certain transfer restrictions imposed under applicable securities laws since the CASHES and the Fortis Shares deliverable upon exchange of these securities may not be sold, transferred or otherwise disposed of by any investors in the United States without registration under the Securities Act, except in accordance with the transfer restrictions imposed under applicable securities laws or pursuant to an applicable exemption from registration. See "*Transfer Restrictions*".

Holders of the CASHES have no Voting Rights.

Holders of the CASHES will not have any voting rights, except as described under "*Terms and Conditions of the CASHES — Modifications of the Indenture*" and " *— Other Rights of Holders of the Securities*".

As CASHES will be issued in book-entry form, holders of CASHES have no direct relationship with Fortis Bank or with the Parent Companies.

All notices and payments to be delivered to holders of CASHES will be distributed by Fortis Bank through the relevant clearing agencies. In the event that a beneficial owner does not receive such notices or payments, its rights may be prejudiced but it will not have a direct claim against Fortis Bank or Fortis therefor.

Because the CASHES are a new issue, there is no assurance that a trading market will exist or that it will be liquid.

The CASHES are a new issue of securities and have no established trading market. Although application has been made to list the CASHES on the Luxembourg Stock Exchange for trading on the Euro MTF, you cannot assume that an active trading market will develop. Even if an active trading market does develop, no one, including the Managers, is required to maintain its liquidity. There may be a limited number of buyers and the market prices may be uncertain when you decide to sell your CASHES. The liquidity and market prices for the CASHES will vary depending on changes in market and economic conditions, the financial conditions of, and prospects for, Fortis, and other factors that generally influence the market prices of securities. Accordingly, there is no assurance that a trading market for the CASHES will exist and no assurance as to the liquidity of any trading market.

You may face foreign exchange risks by investing in the CASHES.

The CASHES will be denominated in, and Coupons will be paid in, euro. If you measure your investment returns by reference to a currency other than the euro, an investment in the CASHES will entail foreign exchange-related risks due to, among other factors, possible significant changes in the value of the euro relative to the currency by reference to which you measure the return on your investment because of economic, political and other factors over which Fortis has no control. Depreciation of that currency against the currency by reference to which you measure the return on your investments could cause a decrease in the effective yield of the CASHES below the Interest Rate (as defined in the Terms and Conditions of the CASHES) and could result in a loss to you when the return on the CASHES is translated into the currency by reference to which you measure the return on your investment. In addition, there may be tax consequences for you as a result of any foreign exchange gains resulting from an investment in the CASHES.

Validity and enforceability of the CASHES under Belgian Law

The CASHES and the Indenture are both governed by New York law. Currently, there is no legal precedent in Belgium or The Netherlands regarding the enforceability of instruments with terms such as those contained in the CASHES. However, each of the Co-obligors believes, and has warranted in the Underwriting Agreement, that the Indenture and the CASHES are valid and binding obligations of each of the Co-obligors, enforceable against each of them (including in the courts of Belgium and The Netherlands) in accordance with their respective terms. Investors should seek their own legal advice with respect to these issues prior to purchasing the CASHES.

DESCRIPTION OF THE CASHES

*The following is a summary of the terms and conditions of the Convertible and Subordinated Hybrid Equity-linked Securities ("**CASHES**") in aggregate principal amount of €3,000,000,000 of Fortis Bank nv-sa ("**Fortis Bank**"), a company with limited liability (naamloze vennootschap/société anonyme) and a bank incorporated under the laws of Belgium, having its registered office in Brussels, as issuer and Co-obligor, Fortis SA/NV, a listed public company with limited liability incorporated under the laws of Belgium, having its registered office in Brussels, as Co-obligor and Fortis N.V., a listed public company with limited liability incorporated under the laws of The Netherlands, having its corporate seat in Utrecht, as Co-obligor (Fortis SA/NV together with Fortis N.V., the "**Parent Companies**") to be issued pursuant to an Indenture dated as of December 19, 2007 (the "**Indenture**") among, Fortis Bank, the Parent Companies and, The Bank of New York as trustee, together with any successor appointed from time to time under the Indenture (the "**Trustee**"). A copy of the form of Indenture shall be available from the Trustee upon request by a registered holder (a "**Holder**") of the CASHES. The following (other than the paragraphs in italics) is the text of the Terms and Conditions of the CASHES which will be contained in any certificates representing the CASHES.*

1. General

The CASHES shall be issued in dematerialized form, via a book-entry system, maintained in the records of the National Bank of Belgium ("**NBB**"), as operator of the X/N System, and shall constitute direct, secured and subordinated obligations of the Co-obligors (as defined below) and shall have no fixed maturity date. The issue of the CASHES was authorized by resolutions of the Board of Directors of Fortis Bank passed on November 26, 2007. The issue of the Underlying Shares (as defined in Paragraph 9(a)(i)) and acceptance of the obligations in respect of the issue of the CASHES and the Exchange Rights was authorized pursuant to resolutions of the Fortis Board of Directors passed on November 28, 2007.

*The CASHES and the Fortis Shares (as defined in Paragraph 4(c)) deliverable upon exercise of the Exchange Rights have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the **"Securities Act**").*

2. Co-obligors

As separate, continuing and independent obligations, Fortis Bank and each Parent Company (together, the "**Co-obligors**") shall unconditionally and irrevocably agree, jointly and severally, to make or cause to be made the due and punctual payment of interest (each payment, a "**Coupon**") (as used herein, the term Coupon shall include any Arrears of Interest (as defined and used in Paragraph 8) and Additional Interest (as defined in Paragraph 8(a) due on such Coupon Date) on, and other payment obligations with respect to, the CASHES and otherwise to perform or ensure the performance of all of the terms of the CASHES and the Indenture. Notwithstanding the foregoing, no Co-obligor shall engage in any activity that constitutes illegal financial assistance under Belgium or Netherlands law in the performance of its obligations under the Indenture.

Under the terms of the Indenture, each Co-obligor shall agree that the obligations set out in this Paragraph 2 are primary, separate, independent and absolute obligations of such Co-obligor. Each Co-obligor shall agree that such obligations have been undertaken by each Parent Company as a co-obligor and not as a guarantor. To the extent any Co-obligor may be deemed to be a guarantor or surety under applicable law, each Co-obligor explicitly shall waive any and all privileges, defenses, rights and exceptions granted to guarantors or sureties under applicable laws and specifically shall waive and agree not to exercise any privilege, defense, right or remedy which at any time may be available to it in respect of its obligations under this Paragraph 2 or any other document, including, without limitation, any right of set-off or counterclaim which it or any other Co-obligor may have against the relevant Holder of CASHES or the Trustee.

The obligations set out in this Paragraph 2 are for the benefit of each Holder of CASHES and for the Trustee on behalf of the several parties. The foregoing is hereby unconditionally and irrevocably agreed and stipulated by way of third party stipulation for the benefit of each Holder of CASHES, whether present or future, upon having become a Holder of CASHES (unless such Holder has rejected such stipulation without delay upon becoming aware of its existence) and for the benefit of the Trustee on behalf of the several parties, whether present or future, upon having been appointed pursuant to the terms of the Indenture.

Upon the transfer of any CASHES to a third party, the transferor thereof shall not retain any rights under the obligations set out in this Paragraph 2 with respect to such CASHES. The rights under this Paragraph 2 with respect to CASHES are not separately transferable from such CASHES.

3. Form and Denomination of the CASHES

The CASHES shall be issued on December 19, 2007 (the "**Issue Date**") in dematerialized form via a book-entry system maintained in the records of the NBB as operator of the X/N System (the "**X/N System**") in accordance with Article 468 of the Belgian Code of Companies and will be credited to the accounts held with the X/N System by Euroclear Bank SA/NV ("**Euroclear**"), Clearstream Banking, *société anonyme*, Luxembourg ("**Clearstream**") or other X/N System participants for credit by Euroclear, Clearstream or other X/N System participants to the securities accounts of their subscribers. The CASHES shall be issued in denominations of €250,000 principal amount and integral multiples thereof. The CASHES will be issued on the Issue Date against payment in immediately available funds. The CASHES are being offered and sold in offshore transactions in reliance on Regulation S under the Securities Act ("**Regulation S**").

The CASHES will be shown on, and the transfer of the CASHES will be effected only through, records maintained by the X/N System, Euroclear and Clearstream and in accordance with the applicable procedures of the X/N System, Euroclear and Clearstream.

The aggregate holdings of the CASHES in the X/N System, Euroclear and Clearstream, will be reflected in the book-entry accounts of each such institution. The X/N System, Euroclear or Clearstream, as the case may be, and every other intermediate holder in the chain to the beneficial owner of the CASHES, will be responsible for establishing and maintaining accounts for the participants and customers having interests in the book-entry interests in the Notes. The Belgian Paying Agent (the "**Domiciliary Agent**"), will be responsible for ensuring that payments received by it from the Co-obligors for holders of interests in the CASHES are credited to the X/N System participant, Euroclear or Clearstream, as the case may be.

Except in the limited circumstances provided below, beneficial interests in the CASHES evidenced by the book-entry system shall not be exchangeable for definitive CASHES in registered form ("**Definitive Securities**").

The CASHES may be held only by eligible investors ("**Eligible Investors**") in an exempt securities account with a qualifying clearing system, as defined in Article 1, paragraph 1 of the Belgian Law of August 6, 1993 relating to transactions with certain securities. Pursuant to Article 4 of the Belgian Royal Decree of May 26, 1994, exempt accounts are reserved for (i) Belgian corporations subject to Belgian corporate income tax, (ii) institutions, associations and companies provided for in Article 2, paragraph 3 of the Belgian Law of July 9, 1975 on the control of insurance companies (iii) state regulated institutions (*institutions parastatales/ parastatale instellingen*) for social security, or institutions which are equated to these, provided for in Article 105, paragraph 2 of the Belgian Royal Decree of August 27, 1993 implementing the Belgian Income Tax Code 1992, (iv) non-resident investors provided for in Article 105, paragraph 5 of the same decree, (v) investment funds, recognized in the framework of pension savings, provided for in Article 115 of the same decree, (vi) companies, associations and other tax payers provided for in Article 227, paragraph 2 of the Belgian Income Tax Code 1992, which have used the income generating capital for the exercise of their professional activities in Belgium and which are subject to non-resident taxes pursuant to Article 233 of the same code, (vii) the Belgian state in respect of investments which are exempt funds from withholding tax in accordance with Article 265 of the Belgian Income Tax Code 1992, (viii) investment funds governed by the foreign law which are an indivisible estate managed by a management company for the account of the participants when their participation rights are not publicly issued in Belgium and are not traded in Belgium and (ix) resident corporations not provided for under (i) when their activities exclusively of principally consist of the granting of credits and loans.

Eligible Investors do not include, inter alia, Belgian resident investors who are individuals or non-profit making organizations, other than those referred to under (v) above.

Upon opening of an exempt securities account with an X/N System's participant, an Eligible Investor is required to provide a statement of its eligible status on a form approved by the Belgian Minister of Finance. There is no ongoing declaration to the X/N System as to the eligible status of each investor for whom the X/N System's participants hold CASHES in an exempt securities account.

An exempt securities account may be opened with a participant by an intermediary (an "**Intermediary**") in respect of CASHES that the Intermediary holds for the account of its clients; provided that each beneficial owner is an Eligible Investor. In such a case, the Intermediary must deliver to the participant a statement on a form approved by the Belgian Minister of Finance confirming that (i) the intermediary is itself an Eligible Investor, and (ii) the beneficial owners holding their CASHES through it are also Eligible Investors. A beneficial owner is also required to deliver a statement of its eligible status to the Intermediary.

These identification requirements do not apply to non-resident participants, Eligible Investors or beneficial owners who hold the CASHES through Euroclear or Clearstream.

Transfers of CASHES will be effected through the book-entry facilities of the X/N System, the X/N System's participants and their respective participants. Such transfers will be conducted and settled in accordance with the usual rules and operating procedures of the X/N System's respective participants. When conducted through the X/N System, Euroclear or Clearstream, such transfers will be settled in same-day funds in the same manner as conventional eurobonds.

The CASHES outstanding at any time are the CASHES recorded in the register of registered CASHES held by Fortis Bank, in accordance with article 468, 4o of the Belgian company code.

Book-entry interests in the CASHES shall be exchangeable in whole and not in part for Definitive Securities in registered form with no coupons attached if (a)(i) the relevant CASHES become ineligible for clearance and settlement through the X/N System and (ii) the Co-obligors are not able, after using reasonable efforts, to arrange for clearance and settlement of the CASHES through a successor clearing system within 120 days of notice of such event or (b) if as a result of any amendment to, or change in, the laws or regulations of Belgium or The Netherlands (or any political subdivision thereof) or of any authority therein or thereof having power to tax or in the interpretation, by any revenue authority or a court or administration, of such laws or regulations which become effective, on or after the Issue Date, the Co-obligors or the Trustee or any Paying Agent (as defined below) is or shall be required to make any deduction or withholding from any payment in respect of the CASHES which would not be required were the CASHES in definitive registered form. As used herein, where applicable, CASHES includes any Definitive Securities that may be outstanding.

A Holder may transfer or exchange Definitive Securities at the offices of the Paying Agent (defined below) or to its order, and for so long as the CASHES are listed on the Luxembourg Stock Exchange for trading on the Euro MTF market of the Luxembourg Stock Exchange (the "**Euro MTF**") and the rules of the Luxembourg Stock Exchange shall so require, at the offices of the paying agent, transfer agent and exchange agent in Luxembourg (collectively, the "**Luxembourg Paying Agent**") in all cases in accordance with the Indenture. The registrar and the transfer agent may require a Holder of Definitive Securities, among other things, to furnish appropriate endorsements and transfer documents in the form provided and as specified in the Indenture, and Fortis Bank may require a Holder of CASHES to pay any taxes and fees required by law or permitted by the Indenture.

In the case of a transfer of only part of a Definitive Security, a new Definitive Security shall be issued to the transferee in respect of the part transferred and a further new Definitive Security in respect of the balance of the holding not transferred shall be issued to the transferor.

As used herein "**Paying Agent**" means the Domiciliary Agent, Luxembourg Paying Agent and any other paying agent the Co-obligors may appoint from time to time.

Fortis Bank has initially been appointed to act as registrar (the "**Registrar**"), interest rate calculation agent (the "**Interest Rate Calculation Agent**"), transfer agent and exchange agent (the "**Exchange Agent**") and Domiciliary Agent. Fortis Banque Luxembourg has been appointed as Luxembourg Paying Agent, Luxembourg Transfer and Exchange Agent and Luxembourg Listing Agent. An updated copy of the register shall at all times be maintained at the registered office of Fortis Bank. In case of discrepancy between the register kept at the Registrar's office and the copy kept at the registered office of Fortis Bank, the copy kept at the registered office of Fortis Bank shall prevail. The Bank of New York ("**BONY**") has initially been appointed to act as collateral agent (the "**Collateral Agent**"). So long as any CASHES are listed on the Luxembourg Stock Exchange for trading on the Euro MTF the Co-obligors shall maintain a Luxembourg Paying Agent. The Co-obligors may appoint, from time to time, a calculation agent (the "**Calculation Agent**"), which shall be an investment bank or brokerage firm of international repute unaffiliated with the Co-obligors including, for the avoidance of doubt, an investment bank acting as book-runner in this transaction. The Co-obligors may appoint a successor Registrar, Paying Agent, Interest Rate Calculation Agent, Exchange Agent, Domiciliary Agent or Collateral Agent or change any registrar, paying agent, calculation agent, domiciliary agent, collateral agent, transfer agent or exchange agent without prior notice to the Holders of CASHES, provided that upon any such appointment or change, the Co-obligors shall publish a notice in accordance with Paragraph 14 hereof.

4. Limited Recourse and Subordination

(a) The Coupons relating to the CASHES constitute direct and subordinated obligations of the Co-obligors, jointly and severally. The Coupons relating to the CASHES rank and at all times shall rank (i) junior to any indebtedness or obligation, including any preference shares, of the Co-obligors other than such indebtedness or obligation set forth in clauses (ii) and (iii) below (such indebtedness and obligations, together "**Senior and Subordinated Obligations**"), (ii) *pari passu* and without any preference among themselves and any other indebtedness or obligation that, expressly or by applicable law, ranks *pari passu* with the Coupons relating to the CASHES ("**Parity Securities**") and (iii) senior to (A) any indebtedness or obligation of the Co-obligors that, expressly or by applicable law, is subordinated to the Coupons relating to the CASHES and (B) any ordinary shares of Fortis Bank and any Fortis Shares (collectively, "**Junior Securities**").

For the avoidance of doubt the following securities are Parity Securities:

- the undated Floating Equity-linked Subordinated Hybrid ("**FRESH**") Capital Securities issued by Fortfinlux S.A. on May 7, 2002; and

- the Mandatory Convertible Securities ("MCS") issued by Fortis Bank Nederland (Holding) N.V., Fortis Bank, Fortis SA/NV and Fortis N.V. on December 7, 2007.

(b) The sole recourse of the Holders of CASHES against any of the Co-obligors with respect to the principal amount of the CASHES shall be the Underlying Shares (or other securities that replace the Underlying Shares pursuant to the terms hereof) that are pledged by Fortis Bank in favor of the Holders of CASHES. Subject to the right of the Holders of CASHES to effect the Optional Exchange for the Underlying Shares pledged by Fortis Bank as set forth in Paragraph 11(d), upon any payment or distribution of the assets of any Co-obligor, upon a total or partial liquidation or dissolution or in a bankruptcy, reorganization, insolvency, receivership, winding-up, arrangement, adjustment, composition or other similar proceeding relating to such Co-obligor, or its respective property, whether voluntary or involuntary, or an assignment for the benefit of its respective creditors or any marshalling of its respective assets and liabilities (any such proceeding, a "**Bankruptcy Proceeding**"), the holders of Senior and Subordinated Obligations of such Co-obligor shall be entitled to receive payment in full in cash or other payment satisfactory to the holders of such Senior and Subordinated Obligations of all obligations in respect of such Senior and Subordinated Obligations before the Holders of CASHES are entitled to receive any cash payment of the Coupons on the CASHES from such Co-obligor. For the avoidance of doubt, (i) the Holders of CASHES are entitled to receive any such payment from another Co-obligor unless such Co-obligor is also subject to Bankruptcy Proceedings; and (ii) any unpaid Coupons including Alternative Coupons (as defined in Paragraph 6(c)) which remain unpaid at such time, subject to the subordination provisions described above, shall be payable in cash in any Bankruptcy Proceeding.

(c) As used herein, each "**Fortis Share**" means a unit comprised of one fully-paid ordinary share in the capital of Fortis SA/NV twinned with one fully-paid ordinary share in the capital of Fortis N.V. and any successor ordinary share capital issued by either. The ordinary shares of each such Parent Company have no preference in respect of such Parent Company dividends or amounts payable in the event of any voluntary or involuntary liquidation or winding-up of such Parent Company.

5. Interest and Interest Rate Adjustment

(a) The CASHES bear interest from and including the Issue Date at the Interest Rate (as defined below) payable, subject to Paragraph 6, quarterly in arrears on March 19, June 19, September 19 and December 19 of each year (each such date, a "**Coupon Date**"), commencing on March 19, 2008, to Holders of CASHES of record at the close of business on the immediately preceding Business Day (each such date, a "**Record Date**"). Each successive period from and including a Coupon Date to, but excluding, the next Coupon Date is referred to as a "**Coupon Period**," provided that the first such period shall run from and including the Issue Date to, but excluding, the first Coupon Date. If any Coupon Date would otherwise fall on a day which is not a Business Day (as defined below), it shall be postponed to the next day which is a Business Day (without additional interest payable in respect of such delay) unless it would then fall into the next calendar month in which event such Coupon Date shall be brought forward to the immediately preceding Business Day (without any reduction in Coupon amount in respect of such early payment). As used herein, "**Business Day**" means a day on which commercial banks are open the whole day for domestic business and foreign exchange in Amsterdam and Brussels and on which the TARGET System (as defined below in subparagraph (d)) is open. Each date on which a Coupon is payable in cash in accordance with this Paragraph 5(a) is referred to as a "**Regular Coupon Date**".

(b) Interest payable under this Paragraph 5 shall be paid in accordance with the provisions of Paragraph 10. Each CASHES shall cease to bear interest:

(i) subject to Paragraph 9(d), when Optional Exchange (as defined in Paragraph 9(a)(i)) with respect to such CASHES shall have been exercised, from the Coupon Date immediately preceding the Exchange Date (as defined in Paragraph 9(b)(i)); or

(ii) upon notice by the Co-obligors of an Automatic Exchange Event (as defined in Paragraph 9(a)(i)).

If exchange is effected, but outstanding Coupons remain due and unpaid, the Co-obligors will be obligated to pay such outstanding amounts in cash (although if such Coupons are Alternative Coupons such Coupons may only be paid using the Alternative Coupon Satisfaction Method). In addition, such amounts shall constitute Arrears of Interest, subject to the provisions of Paragraph 8.

(c) The applicable rate of interest payable in respect of the CASHES for any Coupon Period from and including December 19, 2007 (the "**Interest Rate**") shall be 3-month EURIBOR (as defined below) plus 2.0%. The Coupon payable on any Coupon Date shall be computed for the relevant Coupon Period on the basis of the relevant Interest Rate for such period for each €250,000 principal amount on an Actual/Actual Basis (as defined below). The Interest Rate Calculation Agent shall determine the Interest Rate on the Determination Date (as defined below) and notify such amount to the Co-obligors. On or before the first Business Day of each new Coupon Period, the Interest Rate Calculation Agent on behalf of the Co-obligors shall cause such Interest Rate and the amount of interest payable on the next Coupon Date to be notified to the Luxembourg Stock Exchange and to the Holders of CASHES in accordance with Paragraph 14. Any such calculations shall include any amounts due with respect to Arrears of Interest and Additional Interest.

(d) As used herein:

"**3-month EURIBOR**" means the rate per annum for deposits in euro for a period of three months for an amount approximately equal to the outstanding principal amount of the CASHES at approximately 11:00 a.m. (Brussels time) and fixed quarterly on the second TARGET Settlement Day (as defined below) prior to the first day of the related Coupon Period (the "**Determination Date**") which appears on the display designated as "page 248" on Bridge/Dow Jones Moneyline Telerate Service (or such other page or service as may be used in the future for the purpose of displaying the European interbank offered rate). If the above rate is not published:

(i) the Interest Rate Calculation Agent shall request, two TARGET Settlement Days prior to each such new Coupon Period, the principal Euro-zone office of each of four major banks in the Euro-zone interbank market unaffiliated with the Co-obligors, as selected by the Interest Rate Calculation Agent, after consultation with the Co-obligors, to provide the Interest Rate Calculation Agent with its offered rate for deposits in euros, at approximately 11:00 a.m. (Brussels time) on such date, to prime banks in the Euro-zone interbank market for a period of three months and for an amount approximately equal to the outstanding principal amount of the CASHES, in that market at that time. If at least two quotations are provided, 3-month EURIBOR will be the arithmetic mean of those quotations (rounded, if necessary, to 1/100,000 of 1 percent, 0.000005 being rounded upwards).

(ii) If fewer than two quotations are provided, 3-month EURIBOR will be the arithmetic mean of the rates quoted by four major banks in the Euro-zone, as selected by the Interest Rate Calculation Agent, after consultation with the Co-obligors, at approximately 11:00 a.m. (Brussels time), on the applicable Coupon Date for loans in euro to leading European banks for a period of three months and for an amount approximately equal to the outstanding principal amount of the CASHES.

(iii) If the banks so selected by the Interest Rate Calculation Agent are not quoting as mentioned in clause (ii) above, the 3-month EURIBOR rate in effect for the applicable period will be the same as 3-month EURIBOR for the immediately preceding Coupon Period.

"**Actual/Actual Basis**" means the actual number of days in the relevant Coupon Period, (or the actual number of days in any other period for which Additional Interest will be calculated in accordance with Paragraph 8) divided by the product of (i) the actual number of days in such Coupon Period (or such Coupon Period in which such other period falls) and (ii) four (4).

"**Euro-zone**" means the region comprised of member states of the European Union from time to time that adopted or adopt the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union.

"**TARGET System**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System or any successor thereto.

"**TARGET Settlement Day**" means a day on which the TARGET System is operating.

6. Alternative Coupon Satisfaction Method

(a) *Threshold Dividend Coupon.* All Coupons which are payable on any Coupon Date with respect to a Coupon Period after the first public announcement by either or both of the Parent Companies stating:

- an intention to propose that no dividend on the Fortis Shares be declared; or
- that the aggregate of the interim dividend and final dividend, if any, paid and to be declared represents a Dividend Yield (as defined below) in relation to any financial year lower than 0.5% (the "**Threshold Dividend Yield**")

until the day first occurring after the first public announcement by either or both of the Parent Companies stating an intention that a dividend (whether an interim dividend, a final dividend or the aggregate of any interim and final dividend) on the Fortis Shares be declared that equals or exceeds in aggregate the Threshold Dividend Yield, shall be paid, except as provided by the following paragraph, as an Exceptional Alternative Coupon in accordance with the Alternative Coupon Satisfaction Method (as defined in subparagraph (c) below).

For the avoidance of doubt, in the event that the general meeting of shareholders of either or both Parent Companies declares a final dividend (which taken together with an interim dividend, if any) on the Fortis Shares that equals or exceeds in aggregate the Threshold Dividend Yield, all Coupons that become due and payable on any Coupon Date from and after the date of such general meeting shall be paid in cash (but the use of the Alternative Coupon Satisfaction Method to satisfy such cash payment shall be at the option of the Co-obligors) until such time as a requirement to pay a Coupon through the Alternative Coupon Satisfaction Method subsequently arises.

As used herein:

(i) "**Dividend Yield**" in relation to any financial year means the amount of the final dividend (which for purposes of determining the Dividend Yield shall include any interim dividend declared and paid which relates to the financial year to which such final dividend relates) proposed or declared, as the case may be, in relation to such financial year on a Fortis Share (the "**Dividend**") divided by the average of the Volume Weighted Average Price of a Fortis Share on the ten Stock Exchange Business Days (as defined below) prior to the most recent to have occurred of (A) the public announcement by either or both of the Parent Companies stating that the determination has been made whether to declare a final dividend for the previous financial year and, if so, the proposed amount of such dividend and (B) the public announcement by both Parent Companies that such dividend has been declared (in each case, the "**Dividend Announcement**"). In the event that the Volume Weighted Average Price is not available on each day during such ten Stock Exchange Business Days, then the average of the Volume Weighted Average Prices which are available during such ten Stock Exchange Business Days will be used (subject to the Volume Weighted Average Price being available on a minimum of five Stock Exchange Business Days). If Volume Weighted Average Prices are available on fewer than five Stock Exchange Business Days during such ten Stock Exchange Business Days, then the Dividend shall be divided by the average of the Volume Weighted Average Prices on the ten most recent Stock Exchange Business Days on which the Volume Weighted Average Price is available prior to the most recent Dividend Announcement to have occurred (so long as such Volume Weighted Average Prices occur during the 20 Stock Exchange Business Days preceding such announcement). If fewer than ten Volume Weighted Average Prices are available during the 20 Stock Exchange Business Days prior to the most recent Dividend Announcement to have occurred, then the Dividend shall be divided by an amount to be determined by the Co-obligors in conjunction with two investment banks of international repute (unaffiliated with the Co-obligors) selected by the Co-obligors. The preceding Dividend Yield formula is based on the assumption that a dividend on the Fortis Shares includes both an interim and final dividend for any financial year. In the event such dividend policy is changed, the Dividend Yield formula shall be adjusted accordingly by the Co-obligors in conjunction with two investment banks of international repute (unaffiliated with the Co-obligors) selected by the Co-obligors.

(ii) "**Relevant Exchange**" means Euronext Brussels ("**Euronext Brussels**") and Euronext Amsterdam N.V. ("**Euronext Amsterdam**") or, the principal stock exchanges or securities markets on which the Fortis Shares are traded.

(iii) "**Stock Exchange Business Day**" means any day (other than a Saturday or Sunday) on which each of the Relevant Exchanges is open for business.

(iv) "**Volume Weighted Average Price**" means the volume weighted average price of a Fortis Share as traded on the Relevant Exchange. For so long as the Fortis Share is traded on both Euronext Brussels and Euronext Amsterdam, the volume weighted average price shall be the arithmetic average of such volume weighted average prices.

(b) *Exceptional Alternative Coupons.* If and to the extent that a Trigger Event has occurred and is continuing or would occur on a Regular Coupon Date, including after giving effect to any Coupon otherwise payable on such Regular Coupon Date or otherwise, the Coupons of the CASHES will be payable on the Alternative Coupon Satisfaction Date (subject to a Postponement Event) and the Co-obligors will deliver an Alternative Coupon Notice in accordance with subparagraph (e) below. If the Co-obligors have given an Alternative Coupon Notice with respect to an Elective Alternative Coupon and subsequent to delivery of such notice and prior to the Regular Coupon Date, a Trigger Event has occurred and is continuing or would occur on such Regular Coupon Date, such Coupon shall be deemed an Exceptional Alternative Coupon.

(c) *Elective Alternative Coupons.* If on any Regular Coupon Date no Trigger Event has occurred or is continuing, the Co-obligors may, at their option, deliver an Alternative Coupon Notice in accordance with subparagraph (e) below, in which case a full Coupon will be payable on such Regular Coupon Date using the Alternative Coupon Payment Method, subject to a Postponement Event.

Coupons that are paid using the Alternative Coupon Payment Method due to the occurrence of a Trigger Event are referred to herein as "**Exceptional Alternative Coupons**". Coupons that are paid using the Alternative Coupon Payment Method in the circumstances described in the immediately preceding paragraph are referred to herein as "**Elective Alternative Coupons**". Exceptional Alternative Coupons and Elective Alternative Coupons are collectively referred to as "**Alternative Coupons**".

"**Trigger Event**" means any Co-obligor is or would be Insolvent or any Co-obligor (whether on a consolidated or non-consolidated basis) is or would be in breach of regulatory capital solvency requirements of the Belgian Commissie voor Het Bank-, Financie-en Assurantiewezen/Commission bancaire, financière et des assurances ("**CBFA**") (whether of general application or of specific application) applicable to it or would be Insolvent or in breach of such requirements if payment of Coupons payable on the CASHES were to be made by it.

A Co-obligor is "**Insolvent**" if (i) its Liabilities (excluding Liabilities that are not Senior and Subordinated Obligations) exceed its Assets or (ii) it is unable to pay its debts as they fall due.

"**Assets**" means the unconsolidated gross assets of the relevant Co-obligor, as shown in the latest audited balance sheet of that Co-obligor, but adjusted for contingent assets and for subsequent events, all in such manner as the auditors of such Co-obligor or, as the case may be, the administrator or liquidator (or similar official) of such Co-obligor may determine.

"**Liabilities**" means the unconsolidated gross liabilities of the relevant Co-obligor, as shown in the latest audited balance sheet of the Co-obligor, but adjusted for contingent liabilities and for subsequent events, all in such manner as the auditors of such Co-obligor or, as the case may be, the administrator or liquidator (or similar official) of such Co-obligor may determine.

(d) *General.* The Co-obligors shall satisfy their obligation to pay any Alternative Coupon on the Alternative Coupon Satisfaction Date relating to such Coupon in accordance with the "**Alternative Coupon Satisfaction Method**" described below.

(e) *Notice.* In respect of any Coupon which the Co-obligors will pay using the Alternative Coupon Satisfaction Method, the Co-obligors shall (A) give notice (an "**Alternative Coupon Notice**") to the Trustee, any Paying Agent, the Calculation Agent and the Holders of CASHES that the Co-obligors will satisfy the Alternative Coupons payable on the applicable Regular Coupon Date using the Alternative Coupon Satisfaction Method; Alternative Coupon Notices will specify (i) the aggregate fair market value of the Alternative Coupons payable using the Alternative Coupon Satisfaction Method and (ii) the contribution to be made to the capital of Fortis SA/NV and Fortis N.V.; and (B) give notice to the Trustee directing the Trustee as to the manner in which such contribution is to be effected (and the Trustee shall be entitled to act in accordance with such directions and shall not be responsible to the Holders or any other person for any loss arising from its doing so).

An Alternative Coupon Notice shall be given at least 16 business days prior to the applicable Regular Coupon Date or, if a Trigger Event should occur at any time prior to a Regular Coupon Date, as soon as practicable following the occurrence of such Trigger Event and, in the case of an Exceptional Alternative Coupon, any such Alternative Coupon Notice shall also set forth, subject to the occurrence of a Postponement Event, the Alternative Coupon Satisfaction Date. In respect of an Elective Alternative Coupon, the Co-obligors may give an Alternative Coupon Notice in their sole discretion and for any reason. Each Alternative Coupon Notice shall be given by mail and facsimile to the Trustee, any Paying Agent and the Calculation Agent and through customary market news services, and, if required, shall be published in an Authorized Newspaper or, if applicable, on the website of the Luxembourg Stock Exchange (*www.bourse.lu*).

Except in the event that Bankruptcy Proceedings have occurred with respect to each Co-obligor, Alternative Coupons are mandatorily payable with the Alternative Coupon Satisfaction Method and shall be payable on the Alternative Coupon Satisfaction Date.

"**Alternative Coupon Satisfaction Date**" shall be a date, subject to the occurrence of a Postponement Event, which is (i) in the case of an Exceptional Alternative Coupon where a Trigger Event occurs, or has occurred and is continuing, on the applicable Regular Coupon Date, the later of 90 Business Days following the date on which such Trigger Event first occurred or the next Regular Coupon Date following the date on which such Trigger Event first occurred; provided that, if such Trigger Event occurs, the Co-obligors shall use their best efforts to establish an Alternative Coupon Satisfaction Date that is, and pay an Exceptional Alternative Coupon within, 30 calendar days following the first Regular Coupon Date after such Trigger Event first occurred, and (ii) in the case of an Elective Alternative Coupon, the relevant Regular Coupon Date.

Notwithstanding the provisions (i) and (ii) above, if any Postponement Event has occurred, the Alternative Coupon Satisfaction Date shall be the date notified to the Trustee, any Paying Agent, the Calculation Agent and the Holders of the CASHES, which shall be a date no later than 20 Business Days following the date on which, in the reasonable opinion of the Co-obligors, a Postponement Event is no longer continuing.

"**Authorized Newspaper**" means a newspaper in an official language of the country of publication customarily published at least once a day for at least five days in each calendar week and of general circulation in London, Luxembourg, Belgium and The Netherlands; which newspaper is expected to be the *Financial Times* in London, if practicable, *d'Wort* in Luxembourg, *De Tijd* and the *L'Echo* in Belgium, if practicable, and *Het Financieele Dagblad* in The Netherlands, and if it shall be impracticable in the opinion of the Trustee to make any publication of any notice required hereby in any such newspaper, shall mean any publication or other notice in lieu thereof which is made or given with the approval of the Trustee not to be unreasonably withheld.

(f) *Issuance, Exchange and Sale Procedure.* The Co-obligors' obligation to pay Alternative Coupons on the Alternative Coupon Satisfaction Date relating to such Coupon, in accordance with the Alternative Coupon Satisfaction Method, will be satisfied as follows:

(i) The Co-obligors will deliver an Alternative Coupon Notice to the Trustee, any Paying Agent, the Calculation Agent and Holders of the CASHES as provided for above, of the forthcoming Alternative Coupon Satisfaction Date, including if the Alternative Coupon Satisfaction Method will be used to satisfy a Coupon payable on a Regular Coupon Date;

(ii) on or before the seventh Stock Exchange Business Day preceding such Alternative Coupon Satisfaction Date, the Trustee (or its custodian), acting at the direction of the Co-obligors as set forth in the Alternative Coupon Notice, will contribute the Alternative Coupons to the capital of Fortis SA/NV and/or Fortis N.V. (in equal proportions, subject to compliance with applicable Belgian and Dutch law), against which the Parent Companies will issue (in compliance with applicable Belgian and Dutch law) to the Trustee (or its custodian), and the Trustee, acting at the direction of the Co-obligors, shall subscribe for Fortis Shares having, in the judgment of the Calculation Agent and notified by the Calculation Agent to the Trustee, an aggregate fair market value equal to the aggregate amount of Alternative Coupons that will be payable on such Alternative Coupon Satisfaction Date, plus, subject to the proviso below, any expenses to be borne by the Co-obligors in connection with using the Alternative Coupon Satisfaction Method (including, without limitation, claims for the costs, fees and expenses of the Calculation Agent and the Trustee and their agents (and the Trustee shall be entitled to act in accordance with such directions of the Co-Obligors or the Calculation Agent, as the case may be, and shall not be responsible to the

Holders or any other person for any loss arising from it doing so); provided that, for purposes of the foregoing calculation, such expenses shall not be included in such calculation or contributed as a claim for reimbursement against any of the Co-obligors, to the extent that such expenses are otherwise paid or provided for by Fortis Bank or either Parent Company, as the case may be, on or before the eighth Stock Exchange Business Day preceding such Alternative Coupon Satisfaction Date);

(iii) as soon as reasonably practicable after receipt by Fortis SA/NV and/or Fortis N.V. of the applicable Alternative Coupons in exchange for the Fortis Shares referenced in clause (ii) above issued and subscribed for by the Trustee (or its custodian), the Calculation Agent will use reasonable endeavors on normal market terms to procure purchasers for such Fortis Shares which, when sold, are intended to provide enough cash to enable the Trustee to make full payment of the Alternative Coupons then payable. The Trustee (or its custodian) will then transfer such Fortis Shares as directed by the Calculation Agent, and the Trustee will collect any sales proceeds (and the Trustee shall be entitled to act in accordance with such directions of the Calculation Agent and shall not be responsible to the Holders on any other person for any loss arising from doing so); and

(iv) on such Alternative Coupon Satisfaction Date, the Trustee, or if the Trustee has transferred the proceeds to the Paying Agent, the Paying Agent will apply such sales proceeds first, towards the payment of any expenses to be borne by the Co-obligors in connection with the use of the Alternative Coupon Satisfaction Method (including without limitation, claims for the costs, fees and expenses of the Calculation Agent and the Trustee) and then, towards the payment of the Alternative Coupons then payable. The Trustee or the Paying Agent will transfer any remaining proceeds back to the Co-obligors in equal proportions.

In connection with the payment of Exceptional Alternative Coupons on an Alternative Coupon Satisfaction Date, the completion of the foregoing steps (i) through (iv) will be in full satisfaction of the Co-obligors' obligation to pay such Exceptional Alternative Coupons, without regard to whether the net sales proceeds ultimately delivered to the Holders of the CASHES are equal to the amount of the Exceptional Alternative Coupons payable on such Alternative Coupon Satisfaction Date. For the avoidance of doubt, Exceptional Alternative Coupons include Coupons for which an Alternative Coupon Notice has been delivered regarding an Elective Alternative Coupon but where subsequent to the delivery of such notice and prior to the Regular Coupon Date a Trigger Event has occurred and is continuing.

If the net sales proceeds from the sale of Fortis Shares available for distribution to Holders of the CASHES are less than the full amount of the Alternative Coupon, Holders of CASHES will be paid ratably in any distribution of such proceeds, in proportion to the full amount of the Alternative Coupon on such Holder's CASHES.

In connection with the payment of Elective Alternative Coupons on an Alternative Coupon Satisfaction Date, if the net sales proceeds from the sale of Fortis Shares are insufficient to pay the full amount of the Coupon, then the Co-obligors shall make such additional payments as shall be necessary to ensure the Coupon is paid in full.

(g) *Sufficiency and Availability of Capital.* Under the terms of the Indenture, the Parent Companies shall jointly and severally undertake to use all reasonable efforts to ensure that the Parent Companies have sufficient available authorized capital to permit the issuance of Fortis Shares for the purpose of satisfying their obligations under this Paragraph 6; *provided* that the Parent Companies shall not be required to acquire any issued and outstanding Fortis Shares. If, notwithstanding such efforts, the available authorized capital of the Parent Companies is not sufficient to satisfy an Alternative Coupon in full when it is due pursuant to the Alternative Coupon Satisfaction Method then the Alternative Coupon Satisfaction Date with respect to such Alternative Coupon shall be postponed until such time as the shareholders of the Parent Companies approve resolutions authorizing sufficient additional capital for such purpose. The Parent Companies have undertaken to propose, at each annual general meeting of each Parent Company, that their respective shareholders approve resolutions authorizing additional capital for the issue of such number of Fortis Shares as the Parent Companies reasonably determine are sufficient to satisfy the next four Coupons on the CASHES by way of the Alternative Coupon Satisfaction Method, *unless* the Board of Directors of each Parent Company determines prior to such annual general meeting that the authorized capital is sufficient to satisfy such Coupons.

The Trustee and the Holders of the CASHES agree in the Indenture that the Co-obligors will be entitled to pay Coupons on any Regular Coupon Date, whether or not such Regular Coupon Date is an Alternative Coupon Satisfaction Date, in accordance with the Alternative Coupon Satisfaction Method.

(h) *Postponement Event.* If a Postponement Event exists on any Alternative Coupon Satisfaction Date, the requirement to pay an Alternative Coupon through the Alternative Coupon Satisfaction Method may be deferred until such Postponement Event is no longer continuing; provided that if the Co-obligors each become subject to Bankruptcy Proceedings, any unpaid Coupons, including Alternative Coupons which remain unpaid at such time shall become due and payable in cash, subject to the subordination provisions described in Paragraph 4(b). A deferral of any Alternative Coupon as a result of a Postponement Event shall not constitute an Event of Default. Holders will not be entitled to Additional Interest from any delay of an Exceptional Alternative Coupon due to a Postponement Event.

For these purposes, "**Postponement Event**" shall mean:

- a Market Disruption Event exists on or after the 15th Business Day preceding any Alternative Coupon Satisfaction Date,
- if, notwithstanding the actions taken by the Co-obligors as described in subparagraph (d) above, the available authorized capital of either Parent Company is not sufficient to permit the Parent Companies to issue enough Fortis Shares to satisfy their obligations to pay an Alternative Coupon on an Alternative Coupon Satisfaction Date, a Postponement Event will occur with respect to the Alternative Coupon Satisfaction Date with respect to any such unpaid amount until such time as the shareholders of the Parent Companies approve resolutions authorizing additional capital for the issuance of sufficient Fortis Shares,
- the Parent Companies are subject to a "closed" period which, under applicable securities laws or Parent Company policies then in place, would not permit the Parent Companies to issue Fortis Shares until the release of information which has resulted in the commencement of such closed period or such closed period has otherwise terminated, or
- as a result of any covenant, undertaking, guarantee or other similar provision in any Senior and Subordinated Obligations and/or Parity Securities (other than Junior Securities), each of the Co-obligors would not be permitted to pay any Alternative Coupon because such Co-obligor has not satisfied its obligations under such Senior and Subordinated Obligations and/or Parity Securities (other than Junior Securities), as the case may be.

For all purposes of these terms and conditions, if a Postponement Event has occurred, the Alternative Coupon Satisfaction Date shall be the date notified by the Co-obligors to the Trustee, any Paying Agent, the Calculation Agent and the Holders of the CASHES, which shall be a date no later than 20 Business Days following the date on which, in the reasonable opinion of the Co-obligors, a Postponement Event is no longer continuing.

"**Market Disruption Event**" means (i) the occurrence or existence of any material suspension of or limitation on trading or on settlement procedures for transactions in Fortis Shares through both Relevant Exchanges or the principal central securities depositary through which Fortis Shares are then cleared and which are material in the context of the Fortis Shares or (ii) the existence of any prohibition or material restriction imposed by applicable law (or by order, decree or regulation of any governmental entity, stock exchange or self-regulating body having jurisdiction) on the ability of either Parent Company to issue and/or transfer Fortis Shares.

(j) The Co-obligors shall agree to use their reasonable best efforts to complete the steps described in clause (i) under subparagraph (f) above, notwithstanding the occurrence of a Postponement Event, to the extent it can do so without violation of any applicable law and in compliance with any covenant, undertaking, guarantee or other similar provision in any Senior and Subordinated Obligation and/or Parity Securities (other than Junior Securities).

(k) If at any time following the delivery of an Alternative Coupon Notice in accordance with subparagraph (e) above, the Alternative Coupon Satisfaction Method ceases to apply, the Co-obligors shall promptly give notice to the Trustee and the Holders to such effect.

7. Dividend Stopper

(a)(i) The Parent Companies will agree in the Indenture that, in the case of any Exceptional Alternative Coupon beginning on the day the Co-obligors give an Alternative Coupon Notice and in the case of any Elective Alternative Coupon, beginning on the relevant Regular Coupon Date relating to such Elective Alternative Coupon if the Elective Alternative Coupon is not paid on such Regular Coupon Date, and, in each case, continuing until all Alternative Coupons are paid in full, (A) each of the Parent Companies (i) will not propose to its shareholders and, to the fullest extent permitted by applicable law, will otherwise act to prevent the declaration or payment of any dividend, distribution or other payment on its Ordinary Shares or Parity Securities and (ii) will not redeem, repurchase or otherwise acquire any of its Ordinary Shares or Parity Securities (other than pursuant to a Permitted Share Acquisition) and (B) each of the Parent Companies (i) will not declare or pay and, to the fullest extent permitted by applicable law, will otherwise act to prevent the declaration or payment of, any dividend, distribution or other payment on its Ordinary Shares or Parity Securities and (ii) agrees that it will not vote, or will procure that no vote is made by any of its subsidiaries, in favor of any of the actions described in clauses (A)(i) and (A)(ii) above; and

(ii) Fortis Bank will agree in the Indenture that, in the case of any Elective Alternative Coupon beginning on the relevant Regular Coupon Date relating to such Elective Alternative Coupon if the Elective Alternative Coupon is not paid on such Regular Coupon Date and continuing until all such Elective Alternative Coupons are paid in full, (A) Fortis Bank (i) will not propose to its shareholders and, to the fullest extent permitted by applicable law, will otherwise act to prevent the declaration or payment of any dividend, distribution or other payment on its Ordinary Shares or Parity Securities and (ii) will not redeem, repurchase or otherwise acquire any of its Ordinary Shares or Parity Securities (other than pursuant to a Permitted Share Acquisition) and (B) Fortis Bank will not declare or pay and, to the fullest extent permitted by applicable law, will otherwise act to prevent the declaration or payment of, any dividend, distribution or other payment on its Ordinary Shares or Parity Securities;

provided that the restriction described in (a)(i) and (a)(ii) above shall not apply (i) to a dividend, distribution, payment or redemption in respect of any Exempt Share Class and (ii) to a dividend, distribution or other payment on any Parity Securities that is required to be paid, pursuant to the terms of such Parity Securities, solely as a result of a dividend, distribution, payment or redemption in respect of any Exempt Share Class.

The ordinary shares of Fortis Bank and the ordinary shares of the Parent Companies (or any ordinary share equivalent that may replace or be substituted for the ordinary shares of either or both Parent Companies or Fortis Bank) are referred to collectively as “Ordinary Shares”.

“**Permitted Share Acquisition**” means an acquisition of Ordinary Shares or Parity Securities (i) by conversion into or in exchange for Ordinary Shares, (ii) in connection with transactions effected by or for the account of customers of Fortis Bank or either Parent Company or any of their subsidiaries or in connection with the distribution, trading or market-making in respect of such securities in the ordinary course of business, (iii) in connection with the satisfaction by Fortis Bank or either Parent Company or any of their subsidiaries of their obligations under any employee benefit plans of similar arrangements with or for the benefit of employees, officers, directors or consultants, (iv) as a result of a reclassification of the capital of Fortis Bank or either Parent Company or any of their subsidiaries or the exchange or conversion of one class or series of capital for another class or series of capital, or (v) the purchase of fractional securities pursuant to the conversion or exchange provisions of such security being converted or exchanged.

(b) *Exempt Share Classes.* The following classes of shares (each an “**Exempt Share Class**”) shall be exempt from the dividend stopper to the extent described above:

(i) the currently authorized number of 1,820 million cumulative preference shares of €0.42 nominal value in the capital of Fortis N.V. or any successor thereto; and

(ii) any preference shares that are not, or would not be, included as Tier 1 capital of Fortis Bank (“**Replacement Preference Shares**”) to be created or issued by Fortis Bank or either Parent Company in connection with the merger, consolidation, amalgamation or other combination of an entity with and into Fortis Bank or such Parent Company in which Fortis Bank or such Parent Company is the surviving entity, for the purpose of replacing preference shares issued or authorized by such other entity at the time of the transaction.

The Parent Companies will agree not to authorize unilaterally or to propose to their shareholders that they authorize any additional preference shares (other than Replacement Preference Shares) unless such additional preference shares are subject to the dividend stopper described above.

8. Arrears of Interest and Additional Interest

Any Coupon not paid on a Coupon Date (except such Coupon required to be paid in accordance with the Alternative Coupon Satisfaction Method but which is not paid due to a Postponement Event) together with any other such Coupons not paid on any other prior Coupon Date (except such Coupon required to be paid in accordance with the Alternative Coupon Satisfaction Method but which is not paid due to a Postponement Event) shall, so long as the same remains unpaid, constitute "**Arrears of Interest**" for purposes of calculating Additional Interest (as defined in paragraph (a) below). Exceptional Alternative Coupons paid pursuant to the Alternative Coupon Satisfaction Method shall not result in Arrears of Interest, including Exceptional Alternative Coupons which cannot be paid pursuant to the Alternative Coupon Satisfaction Method due to the unavailability of Fortis Shares as a consequence of Bankruptcy Proceedings involving the Parent Companies such that Fortis Shares can no longer be issued resulting in a Postponement Event that cannot be cured.

(a) Any amount of Arrears of Interest shall bear interest (to the extent permitted by applicable law) as if it constituted the principal of such CASHES at the applicable Interest Rate for such Coupon Period ("**Additional Interest**"). Any Additional Interest payable on any Arrears of Interest shall become due and payable at the time that it is accrued. The Interest Rate Calculation Agent shall calculate the amount of Additional Interest. The amount of Additional Interest accrued as of a Coupon Date for the then-ended Coupon Period shall be added, for purposes only of the calculation of the amount of Additional Interest due after such Coupon Date, to the amount of respective Arrears of Interest unpaid as of such Coupon Date as if such amount would itself constitute Arrears of Interest.

(b) Any Additional Interest that accrues on any Alternative Coupon that is treated as Arrears of Interest which commences with the failure to pay a Coupon on an Alternative Coupon Satisfaction Date shall only be payable pursuant to the Alternative Coupon Satisfaction Method, including in the case of any Bankruptcy Proceeding.

(c) Prior to each Coupon Date, the Interest Rate Calculation Agent shall notify the Paying Agent and the Trustee (if different from the Interest Rate Calculation Agent) of the aggregate amount of Arrears of Interest and the corresponding amount of Additional Interest, if any, which is payable. On each Coupon Date, the Interest Rate Calculation Agent shall notify the Holders of CASHES of such amount, if any, which is payable.

(d) If any Alternative Coupons and Additional Interest are paid in part:

(i) all unpaid Alternative Coupons on such CASHES shall be payable before any Additional Interest;

(ii) Alternative Coupons shall be payable in the order in which they originally became due (with the earliest Alternative Coupon paid first) and the order of payment of Additional Interest shall follow that of the Alternative Coupons (which are treated as Arrears of Interest for purposes of calculating Additional Interest) to which it relates; and

(iii) Alternative Coupons or Additional Interest payable with respect to any Coupon Period shall be computed pro rata to the total amount of all unpaid Alternative Coupons or, as the case may be, amount of Additional Interest in respect of that Coupon Period to the date of payment.

As used herein, all references to Coupons shall, unless the context otherwise requires, include Arrears of Interest and Additional Interest.

9. Exchange and Protection Mechanisms for Holders of CASHES

(a) Exchange Right; Exchange Period; Exchange Price

(i) Each Holder of CASHES shall have the right at any time during the Exchange Period referred to below to exchange all or any of its CASHES for Underlying Shares and, in certain circumstances described below, such exchange shall be automatic. Such exchange shall be effected in accordance with the procedures described in subparagraph (b) below. As used herein, the "**Exchange Right**" means the right of a Holder of CASHES to exchange any CASHES for Underlying Shares (including an Automatic Exchange).

Subject to and upon compliance with the provisions of this Paragraph 9, the Exchange Right attached to the CASHES may be exercised, at the option of the Holder thereof (an "**Optional Exchange**"), at any time from the day that is 40 days after the Issue Date (the "**Exchange Period**").

The initial price (subject to adjustment according to Paragraph 9(c)(i) and (v)) at which Underlying Shares will be delivered to such Holder upon exchange (the "**Exchange Price**") will be €23.94 per Underlying Share (representing an initial exchange ratio of 10,442.77 Underlying Shares (the "**Exchange Ratio**") for each €250,000 in principal amount of CASHES). In addition, in the case of an Automatic Exchange, the Holder shall be entitled to Arrears of Interest and Additional Interest, if any, thereon, as the same shall have accrued in the period ending on the Coupon Date immediately preceding the Exchange Date (as defined in Paragraph 9(b)(i)).

If, at any time after the seventh anniversary of the Issue Date, the Volume Weighted Average Price for 20 consecutive Stock Exchange Business Days equals or exceeds the Automatic Exchange Price Level as determined by the Co-obligors (an "**Automatic Exchange Event**"), all CASHES outstanding shall automatically be exchanged for Fortis Shares ("**Automatic Exchange**") at the Exchange Price plus the Coupon (or portion thereof) due (as determined under the terms of Paragraph 5(b)(ii)), Arrears of Interest and Additional Interest, if any. As used herein, the "**Automatic Exchange Price Level**" shall be equal to 150% of the Exchange Price. The initial Automatic Exchange Price Level is €35.91 per Underlying Share. On the Business Day following the determination that an Automatic Exchange has been triggered in accordance with this subparagraph, the Co-obligors shall give notice to the Trustee, the Registrar, the Exchange Agent and the Collateral Agent (if different from the Trustee) and the Holders of CASHES thereof.

Notwithstanding the provisions in Paragraph 4 and Paragraph 11(d), upon Automatic Exchange, Holders of CASHES may elect to receive the cash proceeds from the sale on the market of the Underlying Shares to which they are entitled in lieu of receiving the Underlying Shares (the "**Optional Cash Settlement**").

The Underlying Shares to be delivered as a result of the exercise of any Exchange Right shall be fully-paid and shall rank *pari passu* in all respects with the fully-paid Fortis Shares in issue on the Exchange Date, except that Fortis Shares so allotted shall not rank for any dividend or other distribution declared or paid or made by reference to a record date for the payment of a dividend or other distribution with respect to the Fortis Shares prior to such Exchange Date.

The Parent Companies have issued 125,313,283 Fortis Shares to Merrill Lynch International as the initial subscriber, for market value and Fortis Bank has purchased these Fortis Shares for market value from Merrill Lynch International. As used herein, "**Underlying Shares**" means the 125,313,283 Fortis Shares initially issued to Merrill Lynch International and subsequently purchased by Fortis Bank and pledged to the Collateral Agent for the benefit of Holders (the "**Initial Underlying Shares**") or any other Fortis Shares substituted for such Initial Underlying Shares in accordance with the terms of the Pledge Agreement as they may be adjusted from time to time in accordance with Paragraph 9(c) resulting in an adjustment in the Exchange Price. Fortis Bank shall grant to the Collateral Agent for the benefit of the Holders a right of pledge on the Underlying Shares (including as they may be adjusted or replaced from time to time) as security for the performance of the exchange obligations under the CASHES and the Indenture. The Parent Companies have undertaken to list the Underlying Shares on such exchange or exchanges as the Fortis Shares are listed at such time as the Underlying Shares are delivered to Holders.

(ii) The number of Fortis Shares to be delivered upon exchange shall be calculated by the Exchange Agent on the basis of the aggregate principal amount of the CASHES to be exchanged at the then prevailing Exchange Price and notified by the Exchange Agent to the Co-obligors, the Collateral Agent and the Trustee. Fractions of a Fortis Share will be aggregated into whole shares (to the extent they can be so aggregated) and such shares will be delivered to the Trustee.

(iii) With respect to Fortis Shares to which Holders are entitled upon exchange which represent fractional entitlements, the Holders will be deemed to have directed the Trustee to aggregate such fractional Fortis Shares as described in (ii) above and to instruct the Calculation Agent on such Holder's behalf to use reasonable endeavours on normal market terms to procure purchasers for such Fortis Shares as soon as practicable but within the five Stock Exchange Business Days following receipt of such Fortis Shares by the Trustee and as soon thereafter as reasonably practicable to distribute the net proceeds of such sales to the Holders on a pro rata basis.

(b) Procedure for Exchange

(i) To exercise Optional Exchange or to receive Underlying Shares pursuant to Automatic Exchange (unless the Holder should choose the Optional Cash Settlement), in each case the Holder of any CASHES must complete, execute and deposit (in accordance with the applicable rules and procedures of Euroclear and Clearstream, if relevant) at his own expense during normal business hours at the specified office of the Exchange Agent a duly completed notice of exchange (an "**Exchange Notice**") in duplicate in the form obtainable from the specified office of the Exchange Agent, together with the relevant CASHES and amounts, if any, to be paid by such Holder. As used herein, "**Exchange Date**" means, in the case of an Optional Exchange, the date set forth in the next succeeding paragraph and, in the case of Automatic Exchange, the date on which a duly signed and completed Exchange Notice is delivered or, where no such Exchange Notice is required, the date on which the Co-obligors provide notice to the Holders in accordance with Paragraph 14 that an Automatic Exchange Event has occurred.

An Exchange Notice with respect to Optional Exchange once given shall be irrevocable and may not be withdrawn without the consent in writing of the Co-obligors. The Exchange Date with respect to an Optional Exchange must fall at a time when the Exchange Right attaching to such CASHES is expressed in the Indenture to be exercisable and shall be deemed to be the Stock Exchange Business Day immediately following the date of the deposit of such CASHES and delivery of such Exchange Notice and, if applicable, any payment to be made or indemnity given under the Indenture in connection with the exercise of such Exchange Right.

Each Exchange Notice will include certain representations and warranties, including, among others, except in the circumstances described in subparagraph (iv) below, a representation by or on behalf of the beneficial owner of the CASHES covered thereby to the effect that (i) the person exchanging the CASHES acquiring the Fortis Shares in an offshore transaction exempt from registration under the Securities Act pursuant to Regulation S thereunder or (ii) (A) the person exchanging the CASHES is a qualified institutional buyer (within the meaning of Rule 144A under the Securities Act ("**Rule 144A**")) and such person is aware that the Fortis Shares it is acquiring have not been and will not be registered under the Securities Act or (B) such Fortis Shares are being acquired pursuant to another exemption from the Securities Act. Such representations and warranties shall also include certain undertakings not to resell the Fortis Shares except in compliance with U.S. securities laws if applicable. If a Holder is unable to provide the representations in clause (i) or (ii) above, when required, then the Co-obligors shall effect delivery of the relevant number of Underlying Shares, including any Additional Shares, to which such Holder is entitled to the Trustee and the Holder will be deemed to have directed the Trustee to effect the sale of such shares pursuant to the Cash Settlement Method described below.

A Holder of CASHES must pay any expenses, taxes and capital, stamp, issue, registration, documentary, transfer or other duties arising on exchange (other than any taxes or capital or stamp duties payable in the United States, United Kingdom, Belgium, The Netherlands and in the place of any other securities exchange on which the CASHES or the Fortis Shares may be listed or traded by the Co-obligors or the Parent Companies, as the case may be, in respect of the transfer and delivery of Underlying Shares on exchange which shall be payable by the Co-obligors), and such Holder must pay all, if any, taxes arising by reference to any disposal or deemed disposal of CASHES in connection with such exchange.

The Co-obligors shall pay all expenses of obtaining and maintaining a listing for Underlying Shares delivered on exchange of the CASHES.

(ii) As soon as practicable and subject to satisfaction of the certification requirements described in Paragraph 9(b)(i) above where applicable, and in any event not later than ten Stock Exchange Business Days after the Exchange Date (the "**Exchange Settlement Period**"), except as set forth below, the Co-obligors shall effect delivery of the relevant number of Underlying Shares (including Additional Shares if issued during the Exchange Settlement Period) (other than fractional entitlements) through the procedures of the X/N System, Euroclear and Clearstream or such other principal clearing agency, as applicable, to the person or persons designated in the Exchange Notice. If any Holder of CASHES either (A) elects to receive cash in lieu of Underlying Shares by choosing the Optional Cash Settlement upon Automatic Exchange and completes, executes and deposits with the Exchange Agent an optional cash settlement notice (the "**Optional Cash Settlement Notice**") within five Stock Exchange Business Days of receiving notice that an Automatic Exchange Event has occurred; or (B) fails to provide any required representation of beneficial ownership set forth in an Exchange Notice delivered by such Holder when required in accordance with Paragraph 9(b)(i) above, except in the circumstances described in subparagraph (iv) below, then the Co-obligors shall effect delivery of the relevant number of Underlying Shares, including any Additional Shares, to which such Holder is entitled to the Trustee and the Holder will be deemed to have directed the Trustee to instruct the Calculation Agent on such Holder's behalf to use reasonable endeavours on normal market terms to procure purchasers as soon as reasonably practicable but within the five Stock Exchange Business Days following receipt of such Underlying Shares (including Additional Shares if issued during the Exchange Settlement Period) (other than fractional entitlements) by the Trustee on such Holder's behalf and, as soon thereafter as reasonably practicable, to deliver to such Holder the net proceeds from such sale (the "**Cash Settlement Method**"). Notwithstanding any provision of the Indenture, in the absence of gross negligence or willful misconduct, the delivery of net sale proceeds pursuant to this paragraph shall satisfy any obligations that the Trustee and Calculation Agent may have with respect to the sale of such Fortis Shares and the delivery of the net sale proceeds thereof, and the Holders expressly waive any rights they may have against the Trustee and the Calculation Agent in respect of such obligations.

In the case where a Holder fails to deliver the Exchange Notice required to be delivered in connection with an Automatic Exchange within 30 calendar days following notice that the Automatic Exchange Event has occurred, such Holder will be deemed to have directed the Trustee to settle the Automatic Exchange on such Holder's behalf using the Cash Settlement Method and the delivery of Fortis Shares to the Trustee (if not previously delivered) will take place within five Stock Exchange Business Days following the end of such 30-day period.

In the case where, in connection with an Automatic Exchange, a Holder fails to deliver an Optional Cash Settlement Notice within five Stock Exchange Business Days following notice that the Automatic Exchange Event has occurred, such Holder will be deemed to have elected to receive Underlying Shares upon Automatic Exchange subject to delivery of the Exchange Notice as provided in the preceding paragraph.

If the Exchange Date in relation to any CASHES shall be on or after a date with effect from which an adjustment to the Exchange Price takes retroactive effect pursuant to any of the provisions referred to in Paragraph 9(c) and the relevant Exchange Date falls on a date when the relevant adjustment has not yet been reflected in the then current Exchange Price, the Co-obligors shall procure that the provisions of this subparagraph (ii) shall be applied, *mutatis mutandis*, to such number of Fortis Shares (the "**Additional Shares**") as is equal to the excess of the number of Fortis Shares which would have been required to be delivered on exchange of such CASHES if the relevant retroactive adjustment had been given effect as at the said Exchange Date over the number of Underlying Shares previously delivered pursuant to such exchange, and in such event and in respect of such number of Fortis Shares references in this subparagraph (ii) to the Exchange Date shall be deemed to refer to the date upon which such retroactive adjustment becomes effective (disregarding the fact that it becomes effective retroactively). Any Additional Shares not delivered during the Exchange Settlement Period shall be delivered in accordance with this paragraph.

(iii) The person or persons designated for that purpose in Paragraph 9(b)(ii) shall be the legal owner of the number of Underlying Shares deliverable upon exchange with effect from the Exchange Date and, in respect of any Additional Shares, shall be the beneficial owner of all rights (other than voting rights), distributions or payments in respect of such Additional Shares from the Exchange Date for the Underlying Shares previously delivered pursuant to such exchange.

Without prejudice to the preceding paragraph of this Paragraph 9(b)(iii), if the record date for the payment of any dividend or other distribution in respect of the Fortis Shares, including any Additional Shares, is on or after the Exchange Date in respect of any CASHES but before the date the person or persons specified for that purpose is or are registered as a holder of record of the relevant number of Underlying Shares, the Co-obligors shall pay to the exchanging Holder of CASHES or his designee an amount (the "**Equivalent Amount**") in euro equal to any such dividend or other distribution to which he would have been entitled had he on that record date been a holder of record of such Underlying Shares including any Additional Shares. The Equivalent Amount shall be paid in an amount in euros in immediately available funds. If the CASHES are represented in the book-entry system maintained by the NBB in the X/N System or any other clearing system, payment of any amounts due in respect of the CASHES shall be made through the X/N System (as well as Euroclear and Clearstream) in accordance with applicable rules and procedures.

(iv) At any time that the Trustee is in receipt of an opinion of counsel satisfactory to the Trustee, to the effect that an Optional Exchange or Automatic Exchange will be exempt from registration under Section 3(a)(9) of the Securities Act, the certifications specified in subparagraph (i) shall not be required. The Holders may be required in such circumstances to provide such other certifications as the Trustee and the Co-obligors shall agree.

(c) Protection Mechanisms for Holders of CASHES

(i) *Stock Split, Reverse Stock Split or Capital Increase from Reserves.* If there shall have occurred a subdivision or consolidation of the Fortis Shares (except for a subdivision or consolidation arising as a result of a Merger/Change in Control Event (as defined below)) into a greater or lesser number of Fortis Shares or an issuance of Fortis Shares by the means of a capital increase from reserves, the Exchange Price shall be adjusted as of the date upon which such event occurred by multiplying the Exchange Price then in effect by the following fraction:

$$\frac{X}{Y}$$

where: X = The number of Fortis Shares outstanding immediately prior to the occurrence of such event.

Y = The number of Fortis Shares outstanding immediately after the occurrence of such event.

Such adjustment shall be determined by the Co-obligors (in consultation with the Calculation Agent) and notified to the Trustee and the Holders in accordance with the terms of the Indenture.

(ii) *Entitlement of Holders of CASHES to Certain Parent Company Distributions.* Except as otherwise provided under this subparagraph (ii), the Co-obligors shall promptly arrange to make available to the Holders of CASHES (A) the proceeds of any Capital Distribution (as defined below) and (B) any rights, securities or other property offered on a pre-emptive basis by either of the Parent Companies to its shareholders. Without limiting the generality of the foregoing, and subject to compliance with all applicable laws and the certification requirements of the Indenture, if either of the Parent Companies offers to its shareholders on a pre-emptive basis notes, warrants, preference shares or other similar securities convertible into Fortis Shares, then it shall notify the Trustee and the Holders of such pre-emptive rights and the Holders shall be entitled to such pre-emptive rights on the same terms and conditions as offered by such Parent Company to its shareholders, based on the number of CASHES held on the record date established by the applicable Parent Company with respect to each such distribution of pre-emptive rights; for the avoidance of doubt, any CASHES acquired by Holders pursuant to transactions entered into but not yet settled as of each such record date shall be deemed as held by the relevant Holders on each such record date. Any such entitlement of Holders of CASHES under this subparagraph (ii) shall be made to such Holders in proportion to the Exchange Ratio.

For the avoidance of doubt, Holders of CASHES shall have no entitlement under this subparagraph (ii) to cash dividends that are not Capital Distributions.

(iii) No adjustment shall be made to the Exchange Price or any other change to the CASHES when Fortis Shares or other securities (including rights or options) are issued, offered or granted pursuant to any employee incentive plan that provides for the issuance, sale or award of shares to employees.

(iv) *Merger or Change in Control.* Upon the occurrence of a Merger/Change in Control Event, the Parent Companies shall use their best efforts to cause the surviving or successor entity, following such Merger/Change in Control Event, to:

(A) assume the obligations of the Parent Companies under the Indenture,

(B) either (i) replace the Fortis Shares that have been pledged in favor of the Holders of CASHES with equity securities of the surviving or successor entity that are listed on a recognized exchange and have an equivalent market value to such Fortis Shares immediately prior to such Merger/Change in Control Event or (ii) take the actions set forth in subparagraphs D through G below, and

(C) adjust the Coupon of the CASHES to reflect any deterioration in the credit quality of the surviving or successor entity, on a consolidated basis, following such Merger/Change in Control Event compared with the credit quality of the Parent Companies immediately prior to such Merger/Change in Control Event.

Any determination of equivalent market value pursuant to subparagraph (B) and any adjustment to the Coupon pursuant to subparagraph (C) shall be made by the Co-obligors and such surviving or successor entity in conjunction with two investment banks of international repute (unaffiliated with the Co-obligors or such surviving or successor entity) selected by the Co-obligors and such surviving or successor entity and notified to the Trustee. Such replacement or adjustment shall take effect in accordance with such determination.

In the event that upon the occurrence of a Merger/Change in Control Event the surviving or successor entity has not agreed or committed to take the actions specified in subparagraphs (A) through (C) above, the Parent Companies (or if the Parent Companies are not the surviving or successor entities, then Fortis Bank) shall direct the Collateral Agent, in accordance with the terms of the Pledge Agreement, to take the following actions:

(D) if the consideration payable to Holders of Fortis Shares in connection with such Merger/Change in Control Event consists solely of Liquid Equity Securities, duly tender the Fortis Shares that have been pledged in favor of the Holders of CASHES in exchange for such Liquid Equity Securities in accordance with the terms of the Merger/Change in Control Event and procure that such Liquid Equity Securities replace the Fortis Shares that have been pledged in favor of the Holders of CASHES for all purposes under the Indenture and the Pledge Agreement; or

(E) if the consideration payable to Holders of Fortis Shares in connection with such Merger/Change in Control Event consists solely of cash, duly tender the Fortis Shares that have been pledged in favor of the Holders of CASHES in exchange for such cash in accordance with the terms of the Merger/Change in

Control Event and, (i) if the equity securities of the surviving or successor entity are Liquid Equity Securities, direct the Collateral Agent to use all of such cash to make market purchases of such Liquid Equity Securities and procure that such Liquid Equity Securities replace the Fortis Shares that have been pledged in favor of the Holders of CASHES for all purposes under the Indenture and the Pledge Agreement or (ii) if the equity securities of the surviving or successor entity are not Liquid Equity Securities direct the Collateral Agent to use all of such cash, to the extent Independently Determined to be practicable, to purchase a basket of the equity securities that make up the index currently named the Dow Jones Euro Stoxx 50 index (or, if no such index exists on such date, a comparable equity index selected by the Parent Companies or Fortis Bank (as applicable) and the surviving or successor entity in conjunction with an investment bank of international repute unaffiliated with the Parent Companies, Fortis Bank, or such surviving successor entities), on such date and procure that such basket of equity securities replaces the Fortis Shares that have been pledged in favor of the Holders of CASHES for all purposes under the Indenture and the Pledge Agreement; or

(F) if the consideration payable to Holders of Fortis Shares in connection with such Merger/Change in Control Event consists of any combination of cash and/or Liquid Equity Securities and/or other non-cash consideration, duly tender the Fortis Shares that have been pledged in favor of the Holders of CASHES in exchange for such cash and/or Liquid Equity Securities and/or other non- cash consideration in accordance with the terms of the Merger/Change in Control Event, and (i) direct the Collateral Agent to use all of such cash received as consideration to make market purchases of such Liquid Equity Securities and/or (ii) direct the Collateral Agent to procure the sale for cash at fair market value of any such other non-cash consideration and use all of such cash received in such sale to make market purchases of such Liquid Equity Securities and thereafter procure that such purchased Liquid Equity Securities and the Liquid Equity Securities received as consideration in the Merger/Change in Control Event replace the Fortis Shares that have been pledged in favor of the Holders of CASHES for all purposes under the Indenture and the Pledge Agreement; or

(G) if the consideration payable to Holders of Fortis Shares in connection with such Merger/Change in Control Event consists of any combination of cash and/or equity securities of the surviving or successor entity that are not Liquid Equity Securities and/or other non-cash consideration, duly tender the Fortis Shares that have been pledged in favor of the Holders of CASHES in exchange for such cash and/or non-Liquid Equity Securities and/or other non-cash consideration in accordance with the terms of Merger/Change in Control Event, and (i) direct the Collateral Agent to use all of such cash received as consideration, to the extent Independently Determined to be practicable, to purchase a basket of the equity securities that make up the index currently named the Dow Jones Euro Stoxx 50 index (or, if no such index exists on such date, a comparable equity index selected by the Parent Companies or Fortis Bank (as applicable) and the surviving or successor entity in conjunction with an investment bank of international repute unaffiliated with the Parent Companies, Fortis Bank, or such surviving successor entities), on such date and/or (ii) direct the Collateral Agent to procure the sale for cash at fair market value of such non-Liquid Equity Securities and use all of such cash received in such sale, to the extent Independently Determined to be practicable, to purchase a basket of the equity securities that make up the index currently named the Dow Jones Euro Stoxx 50 index (or, if no such index exists on such date, a comparable equity index selected by the Parent Companies or Fortis Bank (as applicable) and the surviving or successor entity in conjunction with an investment bank of international repute unaffiliated with the Parent Companies, Fortis Bank, or such surviving successor entities), on such date and/or (iii) direct the Collateral Agent to procure the sale for cash at fair market value of any such other non-cash consideration and use all of such cash received in such sale, to the extent Independently Determined to be practicable, to purchase a basket of the equity securities that make up the index currently named the Dow Jones Euro Stoxx 50 index (or, if no such index exists on such date, a comparable equity index selected by the Parent Companies or Fortis Bank (as applicable) and the surviving or successor entity in conjunction with an investment bank of international repute unaffiliated with the Parent Companies, Fortis Bank, or such surviving successor entities), on such date and thereafter procure that such basket of equity securities replaces the Fortis Shares that have been pledged in favor of the Holders of CASHES for all purposes under the Indenture and the Pledge Agreement.

Notwithstanding any provision of the Indenture, in the absence of gross negligence or wilful misconduct, the sale or purchase of any securities or other property pursuant to this paragraph shall satisfy any obligation that the Trustee and the Collateral Agent may have with respect to the sale or purchase of any such securities or other property, and the Holders expressly waive any rights they may have against the Trustee and/or the Collateral Agent in respect of such obligations.

For purposes of the foregoing subparagraphs (D) through (G):

"**Liquid Equity Securities**" means equity securities of the surviving or successor entity with respect to which the average daily trading volume over the six months immediately preceding the Merger/Change in Control Event is equal to or greater than the average daily trading volume of the Fortis Shares over the six months immediately preceding the Merger/Change in Control Event, as determined by the Co-obligors and an investment bank of international repute unaffiliated with the Co-obligors; and

"**Independently Determined**" means determined in good faith by an independent investment bank of international repute selected by the Parent Companies or Fortis Bank (as applicable) and approved in writing by the Trustee, acting as an expert (at the expense of the Parent Companies or Fortis Bank, as applicable).

(v) *Other Events.* Should the Co-obligors believe in good faith that an event or circumstance that has occurred or shall occur that is different from those expressly contemplated under this subparagraph (c), but that could or shall have similar effects as those discussed in subparagraphs (c) (i), (ii) or (iv) above, the Co-obligors shall take such actions or decisions as they deem necessary or appropriate in order to ensure that, following the occurrence of such event or circumstance, the Holders of CASHES enjoy economic and other rights under the Indenture that, so far as practicable, are substantially similar to those enjoyed by them immediately prior to the occurrence of such event or circumstance. If, and only if, the Co-obligors believe in good faith that any such actions or decisions may be necessary or appropriate, then such actions or decisions shall be taken by the Co-obligors only in conjunction with two investment banks of international repute (unaffiliated with the Co-obligors) selected by the Co-obligors.

(vi) As used herein:

(A) "**Merger/Change in Control Event**" means, in respect of the Fortis Shares, any (i) reclassification or change of the Fortis Shares that results in a transfer of or an irrevocable commitment to transfer all of the outstanding Fortis Shares, (ii) consolidation, amalgamation or merger of Fortis N.V. or Fortis SA/NV with or into another entity or of Fortis N.V. and Fortis SA/NV with or into each other (other than a consolidation, amalgamation or merger in which Fortis N.V. or Fortis SA/NV is the continuing entity and which does not result in any such reclassification or change of all of such outstanding Fortis Shares), (iii) other takeover offer for the Fortis Shares that results in a transfer of or an irrevocable commitment to transfer all of the Fortis Shares (other than the Fortis Shares owned or controlled by the offeror) or (iv) statutory split-up (*juridische splitsing*).

(B) "**Capital Distribution**" means (i) any distribution of assets *in specie* or (ii) any cash dividend or distribution of any kind charged or provided for in the accounts of either of the Parent Companies in relation to any financial year (whenever paid or made and however described) if the amount of the proposed dividend or distribution per Fortis Share, together with the amount per Fortis Share of any other dividends or distributions on such Fortis Shares charged or provided for in the accounts in relation to such financial year (other than any part thereof previously deemed to be a Capital Distribution) exceeds 5% of the Volume Weighted Average Price on the Stock Exchange Business Day immediately preceding the date on which such dividend or distribution is publicly announced (the "**Yield Threshold**"). In the event that the Volume Weighted Average Price is not available on such date, the Yield Threshold shall be determined by reference to the first available Volume Weighted Average Price in the preceding seven Stock Exchange Business Days immediately preceding the date on which such dividend or distribution is publicly announced. In the event that the Volume Weighted Average Price is not available during such period, then the Yield Threshold shall be determined by the Co-obligors in conjunction with two investment banks of international repute (unaffiliated with the Co-obligors) selected by the Co-obligors. The amount of such Capital Distribution shall be the amount by which such proposed dividend or distribution per Fortis Share together with the amount per Fortis Share of any other dividends or distributions of the Fortis Shares charged or provided for in the accounts in relation to such financial year exceeds the Yield Threshold.

(C) "**Pledge Agreement**" means the pledge agreement among Fortis Bank as pledgor, each of the Parent Companies and BONY as collateral agent (the "**Collateral Agent**").

(vii) Notice of any adjustments, rights, decisions or actions pursuant to this Paragraph 9(c) shall be given by the Co-obligors to the Trustee and the Holders as soon as practicable after the determination thereof.

(viii) Where more than one event which gives or may give rise to an adjustment to the Exchange Price or any other change to the CASHES pursuant to this subparagraph (c) occurs within such a short period of time that, in the good faith opinion of the Co-obligors, the foregoing provisions would need to be operated subject to some modification in order to give the intended result, such modification shall be made to the operation of the foregoing provisions as may be determined in good faith by the Co-obligors in conjunction with two investment banks of international repute (unaffiliated with the Co-obligors) selected by the Co-obligors to be in their opinion appropriate in order to give such intended result.

(ix) Except in the case of a transaction contemplated by subparagraphs (c)(i) or (c)(v) above, no adjustment shall be made so as to decrease the Exchange Price for any Fortis Share.

(x) As provided in the Indenture, in connection with any delivery or issuance of Fortis Shares, rights or any other securities in accordance with Paragraph 9(c)(ii) above, each Holder of CASHES will, if required, provide a certificate, within fifteen days of the date notice is given to the Holders of the right to receive such Fortis Shares, rights or other securities, including a representation by or on behalf of the beneficial owner of the CASHES covered thereby to the effect that (i) such person is acquiring the Fortis Shares, rights or any other securities in an offshore transaction exempt from registration under the Securities Act pursuant to Regulation S thereunder or (ii) (A) such person is a qualified institutional buyer (within the meaning of Rule 144A) and such person is aware that the Fortis Shares, rights or any other securities it is acquiring have not been and will not be registered under the Securities Act or (B) such Fortis Shares, rights or any other securities are being acquired pursuant to another exemption from the Securities Act. Such certificate shall also include certain undertakings not to resell the Fortis Shares, rights or any other securities except in compliance with U.S. securities laws, if applicable.

If any Holder of CASHES fails to provide any required certification within the fifteen day period specified in (x) above, such Holder will be deemed to have directed the Trustee to instruct the Calculation Agent on such Holder's behalf to use reasonable endeavours on normal market terms to procure purchasers for any such Fortis Shares, rights or other securities to which the Holders are entitled as soon as reasonably practicable, but within the five Stock Exchange Business Days following receipt of such Fortis Shares, rights or other securities by the Trustee, and to deliver to such Holder as soon thereafter as reasonably practicable, the net proceeds from such sale. The making available of the Fortis Shares, rights or any other securities in accordance with Paragraph 9(c)(ii) to the Holders of the CASHES choosing the Cash Settlement Method upon Automatic Exchange, or deemed to have chosen the Cash Settlement Method where Holders fail to deliver any required Exchange Notice or the required certification will be in full satisfaction of the obligations of the Co-obligors thereunder without regard to the amount of the net sales proceeds ultimately delivered to such Holders. Notwithstanding any provision of the Indenture, in the absence of gross negligence or willful misconduct, the delivery of such net sale proceeds shall satisfy any obligations that the Trustee and the Calculation Agent may have with respect to the sale of such Fortis Shares, rights or other securities and the delivery of the net sale proceeds thereof, and the Holders expressly waive any rights they may have against the Trustee and the Calculation Agent in respect of such obligations.

With respect to Fortis Shares, rights or other securities to which Holders are entitled pursuant to Paragraph 9(c)(ii) which represent fractional entitlements, the Holders will be deemed to have directed the Trustee to aggregate such fractional Fortis Shares, rights or other securities and to instruct the Calculation Agent on such Holder's behalf to use reasonable endeavors on normal market terms to procure purchasers for such Fortis Shares, rights or other securities as soon as practicable but within the five Stock Exchange Business Days following receipt of such Fortis Shares, rights or other securities by the Trustee and as soon thereafter as reasonably practicable to distribute the net proceeds of such sales to the Holders on a pro rata basis.

(d) Market Disruption Event. If a Market Disruption Event exists during any Exchange Settlement Period, the delivery of Underlying Shares during such period may be deferred until such Market Disruption Event no longer exists. A Market Disruption Event deferral shall not constitute an Event of Default. If a Market Disruption Event exists and is continuing for more than 30 days after delivery of the relevant Exchange Notice, any CASHES deposited with the Exchange Agent in connection with such Exchange Notice shall be returned to the respective Holders and Holders of such CASHES will be entitled to Coupons as if no Exchange Notice had been provided.

10. Payments

On the Record Date of any payment due in respect of the CASHES, the Domiciliary Agent and, if applicable, the Luxembourg Paying Agent shall obtain from the Registrar the names of the registered Holders of CASHES and the principal amount of CASHES registered in the name of each such Holder, and shall notify the Co-obligors as to the amount of such payment to be made to the Domiciliary Agent and, if applicable, the Luxembourg Paying Agent, respectively, for payment to each such registered Holder. Coupons on the CASHES shall be paid by the Co-obligors without collection costs to the Holders in good time in immediately available euros which shall be placed with such Paying Agents on behalf of the Holders of CASHES, irrespective of any future transfer restrictions and outside of any bilateral or multilateral payment or clearing arrangement which may be applicable at the time of such payments.

Upon receipt of the funds and under the same conditions as received, the Domiciliary Agent and, if applicable, the Luxembourg Paying Agent, shall arrange for payment to the Holders of CASHES. The Indenture shall require that payments in respect of the CASHES held through the book-entry system maintained by the X/N System and indirectly by Euroclear, Clearstream or their nominees (including beneficial interests in CASHES evidenced by such book-entry system) be made in accordance with the applicable rules and procedures of the X/N System, Euroclear and Clearstream. Upon receipt of any payment in respect of the CASHES, the X/N System, and indirectly Euroclear or Clearstream, shall immediately credit the accounts of the relevant account holders with the payment. The Co-obligors expect that payments by the account holders to the beneficial owners of the CASHES shall be governed by standing instructions and customary practices and shall be the responsibility of the account holders and shall not be the responsibility of the X/N System, Euroclear, Clearstream, the Trustee, the Domiciliary Agent, the Luxembourg Paying Agent, or the Co-obligors. Payments in respect of the CASHES held of record by Holders other than Euroclear, Clearstream or their nominees may, at the Co-obligors' option, be made by cheque and mailed to such Holders of record as shown on the register for the CASHES.

The receipt of the funds by the relevant Paying Agent shall release the Co-obligors of their obligations under the CASHES to the extent of the amount paid. A record of each payment made on the CASHES shall be made by each Paying Agent, as applicable, and such record shall be *prima facie* evidence that the payment in question has been made.

11. Events of Default

(a) Events of Default. As used herein, "**Event of Default**" means any one of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(i) *Non-payment on any Regular Coupon Date.* The Co-obligors fail to pay a Coupon on any Regular Coupon Date and the default continues for a period of seven days; or

(ii) *Non-payment on any Alternative Coupon Satisfaction Date.* The Co-obligors fail to pay an Alternative Coupon on any Alternative Coupon Satisfaction Date and the default continues for a period of 14 days, except where such default is due to a Postponement Event; *provided* that if any Alternative Coupon is not satisfied within 20 Business Days after the date on which such Postponement Event is no longer continuing, such failure will constitute an Event of Default; or

(iii) *Other default*. Any Co-obligor defaults in the performance or observance of any other covenant, condition or provision contained in the Indenture or the CASHES, including failure to deliver Underlying Shares in connection with any Optional Exchange or Automatic Exchange, to be performed or observed by it (other than the covenant to pay the Coupons in respect of any of the CASHES) and such default continues for a period of 30 days following the service by the Trustee on the Co-obligors of notice requiring such default to be remedied (no such notice shall be required where the Trustee certifies in writing that, in its opinion, such default is not capable of remedy).

(b) Reports to Trustee. Each Co-obligor shall deliver to the Trustee as soon as possible and in any event within 30 days (or seven days in the case of a payment default under subparagraph (a)(i) or 20 Business Days in the case of payment default under subparagraph (a)(ii) above) after the Co-obligors become aware or should reasonably have become aware of the occurrence of an Event of Default, an Officer's Certificate setting forth the details of the default, and the action which the Co-obligors propose to take with respect thereto.

(c) Trustee and Holders May Institute Proceedings. (i) Subject to the provisions of subparagraph (d) below, if an Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in aggregate principal amount of the CASHES then outstanding, by written notice to the Co-obligors (and to the Trustee if the notice is given by the Holders of CASHES), may, and the Trustee at the request of Holders of at least 50% in aggregate principal amount of the CASHES then outstanding shall (subject to the terms and conditions of the Indenture), institute proceedings to obtain the payment of any Coupon due or compliance with the defaulted covenant or agreement.

(ii) Notwithstanding clause (i) above, if an Event of Default occurs and is continuing under Paragraphs 11(a)(i) and 11(a)(ii) a Holder, or the Trustee on a Holder's behalf, may institute proceedings to obtain enforcement of such obligations and such right shall not be impaired or effected without the consent of such Holder. In addition, if an Event of Default occurs and is continuing under Paragraph 11(a)(iii) due to the failure to deliver Underlying Shares in connection with an Optional Exchange or Automatic Exchange, at the request of a Holder the Trustee shall instruct the Collateral Agent to foreclose on the relevant Underlying Shares in accordance with the terms of the Pledge Agreement.

(iii) Upon the occurrence of an Event of Default, the Holders of CASHES will not have any rights of acceleration or redemption with respect to the CASHES.

(d) Limited Recourse. The sole recourse of the Holders of CASHES against any of the Co-obligors with respect to the principal amount of the CASHES shall be the Underlying Shares (or other securities that replace the Underlying Shares pursuant to the Indenture) on which a right of pledge has been granted to the Collateral Agent for the benefit of such Holders. In the event of Bankruptcy Proceedings applicable to all of the Co-obligors, the Holders' of CASHES sole right with respect to the principal amount of the CASHES shall be the right to exchange their CASHES for Underlying Shares pursuant to the Optional Exchange, or to seek to institute foreclosure proceedings under the Pledge Agreement with respect to such Underlying Shares. Notwithstanding the foregoing, in the event of Bankruptcy Proceedings applicable to all of the Co-obligors, the Holders of CASHES shall continue to have claims, payable in cash, for any past due Coupons consistent with the subordination provisions set forth in Paragraph 4. In certain circumstances Holders of CASHES may not be able to recover payments of Additional Interest if due and payable in the event of Bankruptcy Proceedings.

12. Purchases of CASHES

None of the Co-obligors nor any of their respective subsidiaries may acquire any of the CASHES without obtaining prior approval from the applicable regulators, other than in connection with dealing in securities in the ordinary course of business.

13. Replacement of CASHES

Should any Definitive Security be lost, stolen, mutilated, defaced or destroyed they may, subject to all applicable laws and stock exchange requirements, be replaced at the specified office of the Trustee upon payment by the claimant of the expenses, taxes and duties incurred in connection therewith and on such terms as to evidence and indemnity as Fortis Bank or the Trustee may reasonably require. Mutilated or defaced Definitive Security must be surrendered before replacements shall be issued.

14. Notices

All notices to the Holders of CASHES shall be valid if sent by mail, postage prepaid to the person in whose name CASHES are registered, or, for so long as the CASHES trade in book-entry form through the X/N System, Euroclear and Clearstream there may be substituted for notice sent by mail, notice in accordance with the then applicable procedures of the X/N System, Euroclear and Clearstream for communication to their participants and notices through the customary market news services and, if the Co-obligors so request, such other method as the Co-obligors and the Trustee agree. In case by reason of suspension of regular mail service or for any other reason it shall be impracticable to give notice as provided above, such notices as shall be given with the approval of the Trustee shall constitute sufficient notice for all purposes under the CASHES.

All notices to Holders, for so long as the CASHES are listed on the Luxembourg Stock Exchange for trading on the Euro MTF, shall be published in a leading Luxembourg newspaper (which is expected to be *d'Wort*), or on the website of the Luxembourg Stock Exchange (www.bourse.lu), or otherwise in compliance with the listing rules of the Luxembourg Stock Exchange.

15. Reports

The Parent Companies shall regularly furnish or otherwise make available to the Trustee copies of their annual report to shareholders, containing audited financial statements, and any other financial reports which it furnishes to its shareholders.

16. Resale Restrictions

Neither the CASHES nor the Underlying Shares have been or shall be registered under the Securities Act. Subject to certain exceptions, neither the CASHES nor the Underlying Shares may be offered or sold within the United States. In addition, until 40 days after the Issue Date, an offer or sale of the CASHES or the Underlying Shares within the United States by any dealer (whether or not participating in the initial placement of the CASHES) may violate the registration requirements of the Securities Act.

17. Taxes

All payments by the Co-obligors in respect of the CASHES and the Indenture will be made free and clear of and without deduction or withholding for or on account of any present or future taxes, duties, assessments, fees or other governmental charges ("**Taxes**") imposed or levied by or on behalf of Belgium or The Netherlands or any jurisdiction from or through which a payment is made, or any political subdivision or taxing authority thereof or therein (each, a "**Taxing Jurisdiction**"), unless such withholding or deduction is required by law. If the Co-obligors, the Trustee or any Paying Agent are required to make any withholding or deduction for or on account of any Taxes from any payment made under or with respect to the CASHES, they shall not be required to pay any additional or further amounts in respect of such withholding or deduction.

The Co-obligors, the Trustee and any Paying Agent shall make any such withholding or deduction for or on account of Taxes and shall remit the full amount deducted or withheld to the relevant authority in accordance with the applicable law. In the event of any non-cash payment by the Co-obligors, a portion of the property distributed to Holders of CASHES may be sold in an amount sufficient to cover any withholding obligation with the proceeds of such sale applied to pay any such withholding tax. The Co-obligors shall furnish to the Holders of CASHES that are outstanding on the date of the required payment within 30 days after the date the payment of any Taxes is due pursuant to applicable law, certified copies of tax receipts evidencing that such payment has been made by the Co-obligors.

18. Modifications of the Indenture

(a) The Co-obligors and the Trustee may, at any time and from time to time, without notice to or consent of Holders of CASHES, enter into one or more indentures supplemental to the Indenture:

(i) to evidence the succession of another person to a Co-obligor, to the extent permitted by the Indenture and the assumption by such successor of the covenants of such Co-obligor, under the Indenture, or the CASHES and to otherwise modify the Indenture in connection with the requirement for such succession provided for in the Indenture;

(ii) to add to the covenants of the Co-obligors, for the benefit of the Holders of CASHES or to surrender any right or power conferred upon a Co-obligor by the Indenture, or the CASHES;

(iii) to add any additional Events of Default;

(iv) to evidence and provide for the acceptance of appointment under the Indenture of a successor trustee;

(v) to provide additional security for the CASHES;

(vi) to add guarantees with respect to the CASHES; or

(vii) to add any required certifications to comply with securities laws in connection with any exchange, Alternative Coupon Satisfaction Method or under Paragraph 9(b)(ii) or (c)(ii).

(viii) to cure any ambiguity in the Indenture, to correct or supplement any provision in the Indenture which may be inconsistent with any other provision therein or to add any other provision with respect to matters or questions arising under the Indenture; provided such actions shall not adversely affect the interests of the Holders of CASHES in any material respect.

(b) Other modifications and amendments of the Indenture may be made, and certain past defaults by any Co-obligor may be waived, with the written consent of the Holders of a majority of 75% in aggregate principal amount of the outstanding CASHES. However, without the consent of each Holder affected, an amendment may not:

(i) reduce the amount of CASHES whose Holders must consent to an amendment or waiver;

(ii) reduce the rate or change the time for payment of Coupons on any CASHES;

(iii) make any Coupon payable in a currency other than that stated in the CASHES;

(iv) change the provisions of the Indenture regarding the right of a majority of the Holders of CASHES to waive defaults under the Indenture or impair the right of any Holders of CASHES to institute suit for the enforcement of any payment of Coupons on the CASHES on and after their respective due dates;

(v) make any change, except as set forth in the Indenture, that adversely affects the Exchange Right of any CASHES;

(vi) at any time after a Merger/Change of Control Event has occurred, modify the provisions of the Indenture in a manner adverse to the Holders of CASHES; or

(vii) modify the subordination provisions in a manner adverse to the Holders of CASHES.

19. Other Rights of Holders of the Securities

Meetings of Holders of the CASHES

All meetings of Holders of the CASHES may be held, *mutatis mutandis*, in accordance with the provisions of Article 568 of the Belgian Code of Companies with respect to the meetings of bondholders.

Matters for which a decision of a meeting of Holders of the CASHES shall be required and which are to be taken in accordance with the quorum and majority requirements set out in Article 574 of the Belgian Code of Companies are (i) those matters set out in Article 568 of the Belgian Code of Companies and (ii) those matters referred to in Clause 18 (b), excluding, however, the matters referred to under Clause 18 (a).

No resolution of a meeting of the Holders of the CASHES which in the opinion of Fortis Bank relates to any of the matters listed in Article 568 of the Belgian Code of Companies shall be effective unless approved at a meeting of Holders complying in all respects with the requirements of Belgian law or, where the corresponding requirements of the Indenture are more stringent, with the requirements of the Indenture.

All convening notices for meetings of holders of the Securities shall be made in accordance with Article 570 of the Belgian Code of Companies.

Meetings of Shareholders and Right to Information

The holders of the CASHES shall be entitled to attend all general meetings of shareholders of Fortis Bank, in accordance with Article 533 of the Belgian Code of Companies, and they shall be entitled to receive any documents that are to be remitted to them in accordance with Article 535 and 553 of the Belgian Code of Companies. The holders of the CASHES who attend any general meeting of shareholders shall be entitled only to a consultative vote.

20. Governing Law and Jurisdiction

The Indenture and the CASHES shall be governed by, and construed in accordance with, the laws of the State of New York, United States of America, except that the subordination provisions of the Indenture and the CASHES, as such provisions relate to the obligations of any Co-obligor, shall be governed by the laws of the jurisdictions of incorporation of such Co-obligor, as applicable. The Pledge Agreement shall be governed by the laws of The Netherlands.

21. Currency Indemnity

If any payment obligation of a Co-obligor in favor of the Holders of CASHES has to be changed from euro into a different currency (to obtain a judgment, execution, or for any other reason), the Co-obligors each undertake as a separate and independent obligation to indemnify the Holders of CASHES for any shortfall caused by fluctuations of the exchange rates applied for such conversions.

The rates of exchange to be applied in calculating such shortfall shall be the spot rate of exchange used by the Paying Agent prevailing between euro and the applicable other currency on the date on which such conversions are necessary.

22. Transfer

A Holder of CASHES may transfer the CASHES in accordance with the Indenture.

23. Listing

Application has been made to list the CASHES on the Luxembourg Stock Exchange for trading on the Euro MTF. The CASHES are expected to be listed by the date of issuance or shortly thereafter.

The Co-obligors shall use all reasonable endeavors to maintain the listing of the CASHES on the Luxembourg Stock Exchange for trading on the Euro MTF or its successor exchange, and the Parent Companies shall use all reasonable endeavors to maintain listings for all the issued Fortis Shares on Euronext Brussels and Euronext Amsterdam and their respective successor exchanges. If the Co-obligors or the Parent Companies, as the case may be, are unable to obtain or maintain such listings, the Co-obligors or the Parent Companies, as the case may be, shall obtain and maintain a listing for the CASHES and any Underlying Shares delivered upon the exercise of any Exchange Right on another European stock exchange of at least equal standing as the Co-obligors or the Parent Companies, as the case may be, may from time to time determine, except in the case of a winding-up or liquidation of both Parent Companies. The Parent Companies will undertake to list the Underlying Shares no later than such time as they are delivered to Holders upon the exercise of any Exchange Right. In case of de-unification of the Fortis Shares, each Parent Company shall ensure that all of its shares resulting therefrom are listed on Euronext Brussels or Euronext Amsterdam, as the case may be, and if such Parent Company is unable to obtain the applicable listing, such shares shall be listed on another European stock exchange of at least equal standing. The Co-obligors shall forthwith give notice to the Holders of CASHES in accordance with Paragraph 14 above of the listing or delisting of the CASHES or, as the case may be, the Fortis Shares (as a class) by any of such stock exchanges.

23. Prescription

Any right to any unclaimed Coupon will become void unless a claim for payment is made within a period of five years from the date on which such payment becomes due and thereafter no claim may be made in respect thereof.

Definitions

As used herein, the following capitalized terms have the meanings set forth below:

"**3-month EURIBOR**" has the meaning set forth in Paragraph 5(d)

"**Actual/Actual Basis**" has the meaning set forth in Paragraph 5(d)

"**Additional Interest**" has the meaning set forth in Paragraph 8(a)

"**Additional Shares**" has the meaning set forth in Paragraph 9(b)(ii)

"**Alternative Coupons**" has the meaning set forth in Paragraph 6(c)

"**Alternative Coupon Notice**" has the meaning set forth in Paragraph 6(e)

"**Alternative Coupon Satisfaction Date**" has the meaning set forth in Paragraph 6(e)

"**Alternative Coupon Satisfaction Method**" has the meaning set forth in Paragraph 6(d)

"**Arrears of Interest**" has the meaning set forth in Paragraph 8

"**Assets**" has the meaning set forth in Paragraph 6(c)

"**Automatic Exchange**" has the meaning set forth in Paragraph 9(a)(i)

"**Automatic Exchange Event**" has the meaning set forth in Paragraph 9(a)(i)

"**Automatic Exchange Price Level**" has the meaning set forth in Paragraph 9(a)(i)

"**Bankruptcy Proceeding**" has the meaning set forth in Paragraph 4(b)

"**BONY**" has the meaning set forth in Paragraph 3

"**Book-Entry Interests**" has the meaning set forth in Paragraph 3

"**Business Day**" has the meaning set forth in Paragraph 5(a)

"**Calculation Agent**" has the meaning set forth in Paragraph 3

"**Capital Distribution**" has the meaning set forth in Paragraph 9(c)(vi)(B)

"**Cash Settlement Method**" has the meaning set forth in Paragraph 9(b)(ii)

"**CASHES**" means Convertible and Subordinated Hybrid Equity-linked Securities ("CASHES") in aggregate principal amount of €3,000,000,000.

"**CBFA**" has the meaning set forth in Paragraph 6(c)

"**Clearstream**" has the meaning set forth in Paragraph 3

"**Collateral Agent**" has the meaning set forth in Paragraph 3

"**Common Depositary**" has the meaning set forth in Paragraph 3

"**Co-obligors**" has the meaning set forth in Paragraph 2

"**Coupon**" has the meaning set forth in Paragraph 2

"**Coupon Date**" has the meaning set forth in Paragraph 5(a)

"**Coupon Period**" has the meaning set forth in Paragraph 5(a)

"**Definitive Securities**" has the meaning set forth in Paragraph 3

"**Determination Date**" has the meaning set forth in Paragraph 5(d)

"**Dividend**" has the meaning set forth in Paragraph 6(a)(i)

"**Dividend Announcement**" has the meaning set forth in Paragraph 6(a)(i)

"**Dividend Yield**" has the meaning set forth in Paragraph 6(a)(i)

"**Domiciliary Agent**" has the meaning set forth in Paragraph 3

"**Elective Alternative Coupons**" has the meaning set forth in Paragraph 6(c)

"**Eligible Investors**" has the meaning set forth in Paragraph 3

"**Equivalent Amount**" has the meaning set forth in Paragraph 9(b)(iii)

"**Euroclear**" has the meaning set forth in Paragraph 3

"**Euro MTF**" has the meaning set forth in Paragraph 3

"**Euronext Amsterdam**" has the meaning set forth in Paragraph 6(a)(ii)

"**Euronext Brussels**" has the meaning set forth in Paragraph 6(a)(ii)

"**Euro-zone**" has the meaning set forth in Paragraph 5(d)

"**Event of Default**" has the meaning set forth in Paragraph 11(a)

"**Exceptional Alternative Coupons**" has the meaning set forth in Paragraph 6(c)

"**Exchange Agent**" has the meaning set forth in Paragraph 3

"**Exchange Date**" has the meaning set forth in Paragraph 9(b)(i)

"**Exchange Notice**" has the meaning set forth in Paragraph 9(b)(i)

"**Exchange Period**" has the meaning set forth in Paragraph 9(a)(i)

"**Exchange Price**" has the meaning set forth in Paragraph 9(a)(i)

"**Exchange Ratio**" has the meaning set forth in Paragraph 9(a)(i)

"**Exchange Right**" has the meaning set forth in Paragraph 9(a)(i)

"**Exchange Settlement Period**" has the meaning set forth in Paragraph 9(b)(ii)

"**Exempt Share Class**" has the meaning set forth in Paragraph 7(b)

"**Fair market value**" has the meaning set forth in Paragraph 6(c)(ii)

"**Fortis Bank**" means Fortis Bank nv-sa, a company with limited liability (*naamloze vennootschap/société anonyme*) and a bank incorporated under the laws of Belgium

"**Fortis Share**" has the meaning set forth in Paragraph 4(c)

"**Holder**" means a registered holder of the CASHES

"**Indenture**" means an Indenture dated as of December 19, 2007

"**Independently Determined**" has the meaning set forth in Paragraph 9(c)(iv)

"**Initial Underlying Shares**" has the meaning set forth in Paragraph 9(a)(i)

"**Insolvent**" has the meaning set forth in Paragraph 6(c)

"**Interest Rate**" has the meaning set forth in Paragraph 5(c)

"**Interest Rate Calculation Agent**" has the meaning set forth in Paragraph 3

"**Intermediary**" has the meaning set forth in Paragraph 3

"**Issue Date**" has the meaning set forth in Paragraph 3

"**Junior Securities**" has the meaning set forth in Paragraph 4(a)

"**Liquid Equity Securities**" has the meaning set forth in Paragraph 9(c)(iv)

"**Luxembourg Paying Agent**" has the meaning set forth in Paragraph 3

"**Market Disruption Event**" has the meaning set forth in Paragraph 6(h)

"**Merger/Change in Control Event**" has the meaning set forth in Paragraph 9(c)(vi)(A)

"**NBB**" has the meaning set forth in Paragraph 1

"**Optional Cash Settlement**" has the meaning set forth in Paragraph 9(a)(i)

"**Optional Cash Settlement Notice**" has the meaning set forth in Paragraph 9(b)(ii)

"**Optional Exchange**" has the meaning set forth in paragraph 9(a)(i)

"**Ordinary Shares**" has the meaning set forth in Paragraph 7(a)

"**Parent Companies**" means Fortis N.V. together with Fortis SA/NV

"**Parity Securities**" has the meaning set forth in Paragraph 4(a)

"**Paying Agent**" has the meaning set forth in Paragraph 3

"**Permitted Share Acquisition**" has the meaning set forth in Paragraph 7(a)

"**Pledge Agreement**" has the meaning set forth in Paragraph 9(c)(vi)

"**Postponement Event**" has the meaning set forth in Paragraph 6(h)

"**Record Date**" has the meaning set forth in Paragraph 5(a)

"**Registrar**" has the meaning set forth in Paragraph 3

"**Regular Coupon Date**" has the meaning set forth in Paragraph 5(a)

"**Regulation S**" has the meaning set forth in Paragraph 3

"**Relevant Exchange**" has the meaning set forth in Paragraph 6(a)(ii)

"**Rule 144A**" has the meaning set forth in Paragraph 9(b)(i)

"**Securities Act**" has the meaning set forth in Paragraph 1

"**Senior and Subordinated Obligations**" has the meaning set forth in Paragraph 4(a)

"**Stock Exchange Business Day**" has the meaning set forth in Paragraph 6(a)(iii)

"**TARGET Settlement Day**" has the meaning set forth in Paragraph 5(d)

"**TARGET System**" has the meaning set forth in Paragraph 5(d)

"**Taxes**" has the meaning set forth in Paragraph 17

"**Taxing Jurisdiction**" has the meaning set forth in Paragraph 17

"**Threshold Dividend Yield**" has the meaning set forth in Paragraph 6(a)

"**Trigger Event**" has the meaning set forth in Paragraph 6(c)

"**Trustee**" means The Bank of New York Mellon, together with any successor appointed from time to time under the Indenture

"**Underlying Shares**" has the meaning set forth in Paragraph 9(a)(i)

"**Volume Weighted Average Price**" has the meaning set forth in Paragraph 6(a)(iv)

"**X/N System**" has the meaning set forth in Paragraph 3

"**Yield Threshold**" has the meaning set forth in Paragraph 9(c)(vi)(B)

DESCRIPTION OF THE PLEDGE AGREEMENT

The Pledge Agreement, between Fortis Bank as pledgor and BONY as Collateral Agent, secures the Co-obligors' obligation to exchange the Underlying Shares upon exercise of the Exchange Right by the holders of the CASHES pursuant to the Indenture. Under the Pledge Agreement, Fortis Bank will pledge to the Collateral Agent in favor of the holders of the CASHES, as a first ranking pledge, the Underlying Shares as well as any additional Fortis Shares or other securities which may be issued from time to time pursuant to the terms of the Indenture.

The security created by the Pledge Agreement is a continuing security which will not be affected by (i) any amendment to the Indenture, (ii) any amendments to Fortis Bank's articles of association, or (iii) any modifications to the articles of association of Fortis N.V. or Fortis SA/NV.

Fortis Bank will indemnify the Collateral Agent with respect to all liabilities and expenses incurred by the Collateral Agent under the Pledge Agreement, save for liabilities and expenses arising from gross negligence or willful misconduct of the Collateral Agent, and neither the Collateral Agent nor Fortis Bank will be liable for any losses arising in connection with the timing of the exercise by the Collateral Agent of its powers under the Pledge Agreement. The Collateral Agent, but not Fortis Bank, will possess a right of assignment. The Pledge Agreement will be governed by the laws of The Netherlands; the Collateral Agent will reserve the right to refer any disputes arising under the Pledge Agreement to any court of competent jurisdiction.

DESCRIPTION OF FORTIS CAPITAL STOCK

The description set forth below is a summary of the material information relating to Fortis N.V.'s and Fortis SA/NV's share capital, including summaries of certain provisions of the articles of association and applicable Dutch and Belgian law in effect at the date hereof. This summary does not purport to be complete and is qualified in its entirety by reference to the full articles of association.

Fortis Shares

On December 14, 2001 Fortis unified the separately listed securities of the two Parent Companies through the creation of a new single listed security, the Fortis Share, comprising one ordinary share in Fortis SA/NV twinned with one ordinary share in Fortis N.V.

According to the articles of association of each of Fortis SA/NV and Fortis N.V., the number of ordinary shares in Fortis SA/NV and Fortis N.V. shall remain identical at all times. Any issue of a Fortis Share will require the issue of one ordinary share in each of the Parent Companies. The ordinary shares in Fortis SA/NV and Fortis N.V. cannot be transferred separately, and any holder of a Fortis Share holds an interest in each of the Parent Companies and will be treated as a shareholder for voting and other purposes of each Parent Company. All holders of a Fortis Share will have the right to choose whether they receive a Fortis SA/NV dividend or a Fortis N.V. dividend.

Fortis N.V.

General

Fortis N.V. is a public limited liability company incorporated in the form of a *naamloze vennootschap* under Dutch law. Fortis N.V. was incorporated on April 19, 1984 as a public limited liability company. Fortis N.V. has its corporate seat in Utrecht, The Netherlands, with its head office at Archimedeslaan 6, 3584 BA Utrecht, The Netherlands, and is registered with the Trade Register at the Chamber of Commerce of Utrecht under number 30072145. The telephone number of the Secretariat of the Board of Directors of Fortis N.V. is +31 (0)30 226 3655.

Share Capital

Authorized Capital

The authorized share capital of Fortis N.V. amounts to EUR 1,948,800,000, and is currently divided into (i) 2,820 million Fortis N.V. Shares, each with a nominal value of EUR 0.42; and (ii) 1,820 million (cumulative) preference shares, each with a nominal value of EUR 0.42. The cumulative preference shares will only be in registered form. Until January 1, 2008, Fortis N.V. Shares may be held, at the option of the shareholder, in bearer or registered form. As of January 1, 2008, Fortis N.V. Shares will only be issued in bearer form for inclusion in the giro system under the Dutch Securities Giro Transfer Act (*Wet giraal effectenverkeer*), the giro system under the Belgian Royal Decree No. 52 of November 10, 1967 or another giro system designated by the Board of Directors. Holders of bearer Fortis N.V. Shares which are not included in such a giro system must either register their shareholding or include it in such a giro system no later than on December 31, 2013.

In accordance with Dutch law, transfer of a registered share in Fortis N.V. requires, among other things, a deed of transfer and, if Fortis N.V. is not a party to the transfer, a written acknowledgment by Fortis N.V. or service of the deed of transfer on Fortis N.V. The acknowledgment must be made in the deed of transfer, or by a dated statement on the deed of transfer or on a copy or extract thereof certified by a civil law notary or the transferor to be a true copy or extract of the deed of transfer. Official service by a public bailiff of the deed of transfer or of such copy or extract on Fortis N.V. has the same effect as an acknowledgment by Fortis N.V. of the transfer.

Holders of registered shares are entered in a shareholder register, which is maintained by Fortis N.V. for each class of shares. On request of the holder of registered shares, Fortis N.V. is required to provide an extract from the register of shareholders in the name of the holder.

The Fortis N.V. Shares will be issued in the form of unit certificates which bear a dividend coupon sheet consisting of separate dividend coupons and talons. These unit certificates indicate that the holder of a bearer Fortis N.V. Share is also holder of a Fortis SA/NV Share.

Ordinary Twinned Shares

As of October 31, 2007 (after giving effect to the Rights Offer), 2,241,121,955 ordinary twinned shares were issued and outstanding. All issued and outstanding ordinary twinned shares are fully paid.

Preference Shares

None of Fortis N.V.'s 1,820 million, EUR 0.42 par value, authorized cumulative preference shares (as provided for in Fortis N.V.'s articles of association as part of its authorized share capital) are issued or outstanding. However, Fortis N.V. has granted an option to the Stichting Continuïteit Fortis (the "**Foundation**") to acquire a maximum number of cumulative preference shares of Fortis N.V. (which have the same voting rights as the Fortis N.V. Shares). Once the option has been exercised, the number of cumulative preference shares issued shall not exceed the number of ordinary shares issued.

Under Dutch law, the Foundation is an independent legal entity and is not owned or controlled by any person or entity. Its purpose is ensure continuity, so that the interests of Fortis N.V. and its stakeholders are safeguarded as fully as possible. The Foundation will only exercise its option rights in accordance with this purpose. The exercise price of each of the options is EUR 0.42 per cumulative preference share, although upon exercise of the option only 25% of the nominal value is required to be paid. The additional 75% of the nominal value per cumulative preference share will not be required to be paid by the Foundation until a call for payment is made by Fortis N.V. by resolution of the Fortis N.V. Board of Directors.

The Board of the Foundation consists of six members: four members are independent with respect to Fortis while two members may be related to Fortis. Additionally, the four independent members have two votes per member while the other two related members have one vote per member. This composition of the Board has been approved by Euronext Amsterdam.

Each transfer of cumulative preference shares requires the approval of the Fortis N.V. Board of Directors. If any cumulative preference shares are issued, a General Meeting of shareholders shall be convened which shall be held no later than two years after the date on which cumulative preference shares were first issued. A resolution concerning repurchase/acquisition by Fortis N.V. or cancellation, as the case may be, of the cumulative preference shares shall be put on the agenda of such a meeting.

If the resolution to be taken on this agenda item is not a resolution for the repurchase/acquisition by Fortis N.V. or cancellation, as the case may be, of the cumulative preference shares, a General Meeting of Shareholders will be convened and held, in each case within two years of the previous Meeting, for which Meeting a resolution concerning the repurchase/acquisition by Fortis N.V. or cancellation, as the case may be, of the cumulative preference shares will be put on the agenda, until there are no cumulative preference shares outstanding.

Issuance of Fortis N.V. Shares

The Board of Directors may be authorized by resolution of the General Meeting of Shareholders to issue from time to time Fortis N.V. Shares and cumulative preference shares. If the Board of Directors has been so authorized, the General Meeting of Shareholders may not resolve to issue new shares for the duration of the authorization. The Board of Directors of Fortis N.V. was authorized to this effect on May 31, 2006.

The authority of the Board of Directors to issue shares of capital stock will terminate on May 31, 2009 unless renewed by the General Meeting of Shareholders of Fortis N.V. in accordance with Dutch law and the articles of association, in each instance for a period not exceeding five years. In the event that the authority of the Board of Directors to issue shares of capital stock terminates, the issuance of capital stock would require a resolution of the General Meeting of Shareholders. For purposes of the foregoing granted authority, issuance of shares of capital stock includes the granting of rights to subscribe to shares of capital stock, such as options and subscription rights, but does not apply to the issue of shares to a person exercising prior rights to take shares. Ordinary shares shall only be issued against payment of at least the nominal value. Cumulative preference shares may be issued against partial payment; provided that upon the taking of such shares at least one-quarter of the nominal value is paid.

With the exception of shares issued for the purpose of distributing a stock dividend (provided, in such case, that they are only issued to Fortis SA/NV against contribution in cash by the latter), Fortis N.V. Shares can only be issued, subscribed, cancelled, transferred by persons/companies others than Fortis N.V. and encumbered with a right of pledge or usufruct or any other limited right in rem (*beperkt zakelijk recht*), together with a Fortis SA/NV Share in the form of a Fortis Share, so that shareholders are in the same position as if they held shares in a single company.

Dividends

Subject to certain exceptions, dividends may only be paid out of annual profits as shown in the annual accounts of Fortis N.V. Distributions may not be made if the distribution would reduce shareholders' equity below the sum of the paid-up capital and any reserves required by Dutch law or the articles of association. Prior to paying dividends on ordinary shares, Fortis N.V. has an obligation to pay dividends on outstanding cumulative preference shares, if any. Subject to the foregoing, the General Meeting of Shareholders shall decide on the appropriation of the profits upon proposal of the Board of Directors.

The Board of Directors may pay interim dividends on one or more classes of shares, subject to the condition that the distribution of interim dividends shall only be possible if an interim statement of capital, drawn up in accordance with the statutory requirements, shows that the shareholders' equity exceeds the sum of the issued and paid-up share capital plus the reserves to be maintained pursuant to the law and Fortis N.V. articles of association.

Fortis N.V. will follow the same dividend policy as Fortis SA/NV. The gross amount of dividends paid out of Fortis N.V. depends on the outcome of the dividend election procedure. In this procedure, the shareholders may elect to receive dividends from either Fortis SA/NV or Fortis N.V., but not from both, in such a way that the source of the dividends distributed on the Fortis Shares will be either Belgium or The Netherlands.

Distributions shall be due and payable with effect from a day to be determined by the Board of Directors. The days for distributions on ordinary shares and on cumulative preference shares may differ. A shareholder's claim to a particular dividend shall lapse five years after commencement of the day following the day on which the claim became payable.

Voting Rights

The Annual General Meeting of Shareholders shall be held on the last Wednesday of April of each year in Utrecht or Amsterdam, at 2:30 p.m., or at any other time, date or place in The Netherlands mentioned in the convocation. Extraordinary General Meetings of Shareholders shall be held as often as the Board of Directors convenes the same and must be held if one or more shareholders representing at least one-tenth of the issued share capital make a written request to that effect to the Board of Directors specifying in detail the exact items to be discussed. All notices of those meetings shall be given by means of an advertisement in (a) a nationally distributed newspaper in The Netherlands, (b) the Official Price list of Euronext Amsterdam N.V. in Amsterdam, (c) a nationally distributed newspaper in the French language distributed in Belgium, (d) a nationally distributed newspaper in the Dutch language distributed in Belgium, and (e) nationally distributed newspapers in every country where the Fortis Share is admitted to the official listing of a stock exchange. The Board of Directors may determine that 00.00 hrs on the seventh business day preceding the date of any General Meeting shall be the registration date for that meeting, which will be included in the convocation for the relevant General Meeting. In that case, only persons who, on the registration date, are registered in the register designated for the purpose by the Board of Directors as a person holding Fortis N.V. Shares, may participate in the General Meeting as a shareholder and vote for the number of Fortis N.V. Shares registered in their name on the registration date (irrespective of whether they continue to be the holder of the relevant Fortis Shares on the date of the General Meeting. If the Board of Directors does not determine a registration date, a shareholder is entitled to attend the General Meetings of Fortis N.V. and to vote there; provided that, at least at the date mentioned in the convocation, (a) the owner of registered twinned shares has informed Fortis N.V. of his intention to take part in the meeting, (b) the owner of physical bearer Fortis N.V. Shares has lodged his securities at the registered office or any other place indicated in the convocation and (c) the owner of bearer Fortis N.V. Shares through the book-entry system has lodged at the registered office or any other place indicated in the convocation, a notice of a banking institution stating the non-transferability of the securities until the date of the meeting.

Resolutions are adopted at General Meetings of Shareholders by a majority of the votes cast (except where a different proportion of votes is required by the articles of association or Dutch law), and there are generally no quorum requirements applicable to such meetings, except as set forth in the following paragraphs. Each share in the capital of Fortis N.V. is entitled to one vote except for shares owned by Fortis N.V., Fortis SA/NV, or any of their subsidiaries, which do not have voting rights.

Amendment of articles of association and dissolution of Fortis N.V.

A resolution to amend the articles of association of Fortis N.V. or to dissolve Fortis N.V. may only be passed upon proposal of the Board of Directors. The resolution to amend the articles of association or to dissolve Fortis N.V. may only be passed at a General Meeting of Shareholders at which more than half of the issued capital is represented and by at least three-quarters of the votes cast; if the required capital is not represented at a meeting convened for this purpose, then a new meeting shall be convened and held within four weeks, which meeting may pass the resolution to amend the articles of association or to dissolve Fortis N.V. regardless of the represented capital, but by at least three-quarters of the votes cast.

Appointment of the Board of Directors

The Board of Directors of Fortis N.V. is composed of a maximum of 17 members. Board members without management functions within Fortis N.V., or in general within the Fortis Group, are considered as non-executive Board members. Board members with management functions within Fortis N.V., or in general within the Fortis Group, are considered as executive Board members. The members of the Board of Directors are appointed by the General Meeting of Shareholders upon proposal of the Board of Directors for a maximum period of four years, subject to renewal for maximum periods of four years each. The Board of Directors appoints from amongst its members a Chairman and a Vice Chairman.

Approval of financial statements

The financial year of Fortis N.V. coincides with the calendar year. Within five months after the end of the financial year, the Board of Directors submits Fortis N.V.'s financial statements (*jaarrekening*), together with an opinion of the statutory auditor in respect thereof, to the General Meeting of Shareholders for adoption. Following adoption of Fortis N.V.'s financial statements by the General Meeting of Shareholders, the shareholders will be requested to discharge the members of the Board of Directors from liability for the performance of their respective duties for the past financial year. Under Dutch law this discharge is not absolute and is not effective as to matters not disclosed to the shareholders.

Liquidation rights

In the event of the dissolution and liquidation of Fortis N.V., the assets remaining after payment of all debts and liquidation expenses shall be distributed to the holders of Fortis N.V. Shares, each receiving a sum proportional to the number of Fortis N.V. Shares held by them, after payment of any sums due to the holders of the then outstanding cumulative preference shares, if any.

Shareholders' pre-emptive rights

Each holder of Fortis Shares and cumulative preference shares has upon issue of their respective class of shares a pre-emptive right to take new Fortis N.V. Shares or cumulative preference shares, as the case may be, proportional to the amount of existing shares held. Notwithstanding the foregoing, holders of shares will not have pre-emptive rights in respect of (i) issuances of shares to employees of Fortis N.V. or group companies and (ii) issuances of shares for non-cash consideration.

Holders of shares also do not have pre-emptive rights in connection with the issuance of shares that are issued pursuant to the exercise of a right to subscribe to such shares, such as options and subscription rights, although the holders of shares have pre-emptive rights in respect of the issuance of such options and subscription rights.

The Board of Directors may be authorized by resolution of the General Meeting of Shareholders to restrict or exclude pre-emptive rights with respect to the shares if the shareholders have delegated the authority to issue these shares to the Board of Directors, subject to a similar decision to be made by the appropriate corporate body of Fortis SA/NV. The shareholders delegated that authority by resolution dated May 31, 2006. The authority of the Board of Directors to restrict or exclude pre-emption rights is unlimited and will terminate on May 31, 2009 unless renewed by the General Meeting of Shareholders of Fortis N.V. in accordance with Dutch law and the articles of association, in each instance for a period not exceeding five years. In the absence of such authorization or extension of such authorization the General Meeting of Shareholders has the power to limit or eliminate such rights, subject to a similar decision to be made by the appropriate corporate body of Fortis SA/NV. Such a resolution requires a two-thirds majority of the votes cast, if less than half of the issued share capital is represented at the Meeting.

Acquisition by Fortis N.V. of its own Fortis Shares

Fortis N.V. or any subsidiary of Fortis N.V. may acquire shares of any class of its capital, subject to certain provisions of Dutch law and the articles of association, if (i) shareholders' equity less the payment required to make the acquisition does not fall below the sum of paid-up capital and any reserves required by Dutch law or the articles of association and (ii) Fortis N.V. and its subsidiaries would thereafter not hold or retain by way of pledge shares with an aggregate nominal value exceeding one-tenth of Fortis N.V.'s issued share capital. No right to any distributions shall accrue to Fortis N.V. in respect of shares in its own capital. At a General Meeting of Shareholders, no votes may be cast in respect of a share held by Fortis N.V. or a subsidiary. An acquisition by Fortis N.V. of shares of any class of its capital may be effected by the Board of Directors; provided that the General Meeting of Shareholders of Fortis N.V. has granted to the Board of Directors the authority to do so. Such grant of authority may apply for a maximum period of 18 months and must specify the number of shares that may be acquired, the manner in which the shares may be acquired and the price limits within which shares may be acquired.

On May 23, 2007, the Annual General Meeting of Shareholders of Fortis N.V. authorized the Board of Directors to repurchase paid-up shares in its own capital up to the maximum number of shares permitted by law. Such a repurchase may be carried out privately or on a stock exchange, for a consideration equal to the average of the closing prices of the Fortis Share on Euronext Brussels and Euronext Amsterdam on the day immediately preceding the repurchase, increased or decreased by a maximum of 15%, or through stock-lending transactions on market-conforming terms. This authorization shall expire on November 30, 2008. No such authority is required for the acquisition by Fortis N.V. of shares in its own capital for the purpose of transferring such shares to employees of Fortis N.V. or any subsidiary thereof pursuant to any arrangements applicable to such employees; provided that such shares are included in the price list of a stock exchange.

Limitation on right to hold or vote shares

There are no limitations imposed by Dutch law or the articles of association on the right of non-resident owners to hold or vote the shares solely by reason of such non-residence.

Obligation of shareholders to disclose major holdings

Under the Dutch Financial Markets Supervision Act, any person whose capital interest or voting rights in Fortis N.V. (whether direct or indirect) reaches, exceeds or falls below any of the following thresholds: 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%, must promptly notify the AFM by means of a standard form. In addition, any person holding (whether directly or indirectly) a capital interest or voting right in Fortis N.V. of 5% or more, must notify the AFM by means of a standard form within four weeks after December 31 of each year, if on December 31 the composition of that holding differs from the composition of the holding most recently notified to the AFM as a result of certain acts including (without limitation) the exchange of shares for depositary receipts or vice versa and the exercise of a right to acquire shares. The AFM will include all notifications in a public register.

For the purpose of calculating a person's capital interest or voting rights in Fortis N.V., among others the following interests must be taken into account: (i) shares and voting rights held by that person, (ii) shares and voting rights held by a subsidiary of that person or by a third party for that person's account or by a third party with whom that person has concluded an oral or written voting agreement (including a discretionary power of attorney), and (iii) shares and voting rights which that person, or any subsidiary of that person or third party referred to above, may acquire pursuant to any option or other right held by that person. Specific rules apply to the attribution of shares and voting rights which are part of the property of a partnership or other community of property. If shares are pledged or subject to a right of usufruct, the holder of the pledge or right of usufruct may be subject to the notification requirements set out above if that holder has or may acquire the voting rights attaching to the shares. If a pledgee or usufructuary acquires voting rights on shares which have been pledged or are subject to a right of usufruct, the shareholder may be required to notify the reduction in his voting rights. For the purpose of the disclosure requirement, shares include depositary receipts for shares.

Non-compliance with the obligations of the Dutch Financial Markets Supervision Act constitutes a criminal offence. In addition, the AFM may impose administrative fines. Furthermore, the District Court (*Arrondissementsrechtbank*) competent for the jurisdiction within which Fortis N.V. has its corporate seat can impose measures at the request of one or more holders of shares who alone or together with others represent at least one-twentieth of the issued share capital of Fortis SA/NV, and by Fortis N.V.

The measures which the District Court may impose include (i) condemnation of the person who is obliged to notify to do so in accordance with the Dutch Financial Markets Supervision Act; (ii) suspension of voting rights in respect of such person's shares for a period to be determined by the court with a maximum of three years; (iii) suspension of a resolution of Fortis N.V.'s General Meeting of Shareholders until an irrevocable decision has been taken on an order as referred to in subsection (iv); (iv) nullification of a resolution by Fortis N.V.'s General Meeting of Shareholders, insofar as it is reasonable to assume that such resolution would not have been adopted if the voting rights on the shares in Fortis N.V.'s capital held by the person who is obliged to notify had not been exercised; and (v) an order to the person who is obliged to notify to refrain, during a period to be determined by the court with a maximum of five years, from acquiring shares in the capital of Fortis N.V. and/or voting rights.

Fortis SA/NV

General

Fortis SA/NV is a public limited liability company incorporated in the form of a société anonyme/naamloze vennootschap under Belgian law. Fortis SA/NV was incorporated on November 16, 1993 and has its registered office at Rue Royale/Koningsstraat 20, 1000 Brussels, Belgium. Fortis SA/NV is registered in the register of legal entities (*registre des personnes morales/rechtspersonenregister*) under enterprise number 0451.406.524. The telephone number of Fortis SA/NV Corporate Administration is +32(0)2 565 54 18 or +32(0)2 565 54 23.

Share capital

Issued share capital

On October 31, 2007, the issued share capital of Fortis SA/NV amounted to EUR 9,600,768,059.81 and was represented by 2,241,121,955 shares, without indication of nominal value.

Authorized capital

The Extraordinary General Meeting held on August 6, 2007 renewed the authorization to the Board of Directors to increase the share capital of Fortis SA/NV, in one or more transactions, with a maximum amount of EUR 1,148,112,000. This authorization is granted for three years, with effect as from the date of publication in the Belgian State Gazette of the resolutions of the Extraordinary General Meeting.

In addition, the same Extraordinary General Meeting of August 6, 2007 authorized the Board of Directors to increase the share capital of Fortis SA/NV with a maximum amount of EUR 4,609,584,000, with effect as from the date of publication in the Belgian State Gazette of the resolutions of the Extraordinary General Meeting. This authorization was exclusively granted to partly finance Fortis SA/NV's participation in the ABN AMRO Offer and is valid until March 31, 2008. On October 15, 2007, the Board of Directors made use of this authorization to approve the issue of 896,181,684 new Fortis SA/NV shares in the framework of a capital increase in cash with preference right.

Issuance of Fortis SA/NV Shares

Fortis SA/NV Shares are issued by way of resolution of either the General Meeting of Shareholders or the Board of Directors in the case of capital increase through authorized capital. Any resolution to issue Fortis SA/NV Shares or to grant any right to subscribe or acquire Fortis SA/NV Shares (including, but not limited to, subscription rights and convertible bonds) is only effective once and to the extent that there is a corresponding resolution of the appropriate corporate body of Fortis N.V., both resolutions taking effect at the same time, to issue the same number of Fortis N.V. Shares or, as the case may be, the same number of rights to subscribe or acquire Fortis N.V. Shares.

Dividends

The Belgian Companies Code provides that dividends can only be paid up to an amount equal to the excess of a company's shareholders' equity over the sum of (i) paid up or called up capital and (ii) reserves not available for distribution pursuant to law or the articles of association. Fortis SA/NV will follow the same dividend policy as Fortis N.V. The gross amount of dividends paid out of Fortis SA/NV depends on the outcome of the dividend election procedure. In this procedure, the shareholders may elect to receive dividends from either Fortis SA/NV or Fortis N.V., but not from both, in such a way that the source of the dividends distributed on the Fortis Shares will be either Belgium or The Netherlands.

According to the law, the right to receive dividends on registered shares lapses five years after the payment date of these dividends. The right to claim dividends on bearer shares does not lapse except if the company lodges the dividends with the Bank for Official Deposits (*Caisse des Dépôts et Consignations/ Deposito- en Consignatiekas*), in which case the right to claim dividends lapses 30 years after the date on which these dividends were lodged. The Belgian State then becomes the beneficiary of all unclaimed dividends on bearer shares.

Voting rights

The Ordinary General Meeting of Shareholders shall be held on the last Wednesday of May of each year at the registered office, at 10:30 a.m., or at any other time, date or place in Belgium mentioned in the convocation. Extraordinary General Meetings of Shareholders are held as often as decided by the Board of Directors or at the written request of shareholders representing at least one-tenth of the capital, which request shall include the exact items to be discussed.

Notice for the General Meeting of Shareholders shall be given in the form of announcements placed in (a) a nationally distributed newspaper in the French language in Belgium, (b) a nationally distributed newspaper in the Dutch language in Belgium, (c) a regional newspaper in the region where the registered office is located, (d) the Belgian State Gazette (*Moniteur belge/Belgisch Staatsblad*), (e) a nationally distributed newspaper in The Netherlands, and (f) nationally distributed newspapers in every country where the Fortis Share is admitted to the official listing of a stock exchange.

All holders of Fortis SA/NV Shares are entitled to attend the General Meetings of Shareholders, take part in the deliberations and, within the limits prescribed by the Belgian Companies Code, to vote. The Board of Directors may determine that 00.00 hrs on the seventh business day preceding the date of any General Meeting shall be the registration date for that meeting, which will be included in the convocation for the relevant General Meeting. In that case, only persons who, on the registration date, are registered in the register designated for the purpose by the Board of Directors as a person holding Fortis SA/NV Shares, may participate in the General Meeting as a shareholder and vote for the number of Fortis SA/NV Shares registered in their name on the registration date (irrespective of whether they continue to be the holder of the relevant Fortis Shares on the date of the General Meeting). If the Board of Directors does not determine a registration date, a shareholder must (i) have lodged these at the registered office or any other place indicated in the convocation at least five working days before the date set for the meeting and within the same period have informed Fortis SA/NV of his/her/its intention to take part in the meeting or (ii) lodge, at the registered office or any other place indicated in the convocation and at least five working days before the date set for the meeting, a notice of a banking institution stating the non-transferability of the securities until the date of the meeting.

Resolutions are adopted at General Meetings of Shareholders by a majority of the votes cast (except where a different proportion of votes is required by Fortis SA/NV's articles of association or by Belgian law), and there are generally no quorum requirements applicable to such meetings, except as set forth in the following paragraphs.

Each share in the capital of Fortis SA/NV is entitled to one vote except for shares owned by Fortis SA/ NV, or by any of its direct subsidiaries, the voting rights of which are suspended.

Right to share in the result

The shareholders have the right to share in the result of Fortis under the conditions laid down by the Belgian Companies Code and by the articles of association.

Amendment of articles of association and dissolution of Fortis SA/NV

A resolution to amend the provisions of the articles of association or to dissolve Fortis SA/NV must be passed in a General Meeting of Shareholders in which at least half of the issued share capital is represented and by at least three-quarters of the votes cast (or four-fifths of the votes cast in the event of an amendment to the provisions of the articles of association dealing with the corporate purpose). Should the required proportion of the capital not be represented in a meeting called for this purpose, a new meeting shall be convened, which meeting may pass the resolution to amend the provisions of the articles of association or dissolve Fortis SA/ NV irrespective of the proportion of the issued share capital represented, but with at least three-quarters of the votes cast (or four-fifths for amendments to the provisions of the articles of association dealing with the corporate purpose).

Appointment of the Board of Directors

The Board of Directors is composed of a maximum of 17 members. Board members without management functions within Fortis SA/NV, or in general within the Fortis Group, are considered as non-executive Board members. Board members with management functions within Fortis SA/NV, or in general within the Fortis Group, are considered as executive Board members. The members of the Board of Directors are appointed by the General Meeting of Shareholders upon proposal of the Board of Directors, for a maximum period of four years, subject to renewal for maximum periods of four years each. The Board of Directors appoints from amongst its members a Chairman and a Vice Chairman.

Approval of financial statements

The financial year of Fortis SA/NV coincides with the calendar year. Within six months after the end of the financial year, the Board of Directors submits Fortis SA/NV's financial statements, together with an opinion of the statutory auditor in respect thereof, to the General Meeting of Shareholders for adoption. Following adoption of Fortis SA/NV's financial statements by the General Meeting of Shareholders, the shareholders will be requested to discharge the members of the Board of Directors from liability for the performance of their respective duties for the past financial year. Under Belgian law this discharge is not absolute and is not effective as to matters not disclosed to the shareholders.

Liquidation rights

In the event of the dissolution and liquidation of Fortis SA/NV, the assets remaining after payment of all debts and liquidation expenses shall be distributed to the holders of the Fortis SA/NV Shares, each receiving a sum proportional to the number of Fortis SA/NV Shares held by them.

Shareholders' preference rights

Pursuant to Belgian law, existing shareholders must be offered a preference right in the event of a capital increase to be subscribed in cash. However, the General Meeting of Shareholders may decide, in the interest of the company and in accordance with the conditions required for amending the articles of association, that all or part of the new Fortis SA/NV Shares to be subscribed will not be offered to existing shareholders on a preferential basis, subject to a similar decision to be made by the appropriate corporate body of Fortis N.V. The Board of Directors may equally, in connection with a capital increase by way of authorized capital, in the interest of the company, decide that the preference rights of existing shareholders are to be limited or cancelled, even if this limitation or cancellation is undertaken in favor of one or more specific persons other than employees of Fortis SA/NV or one or more of its subsidiaries. The decision of the Board of Directors is subject to a similar decision to be made by the appropriate corporate body of Fortis N.V.

Acquisition by Fortis SA/NV of its own Fortis Shares

Fortis SA/NV may only acquire its own shares pursuant to a decision by the General Meeting of Shareholders taken under the conditions of quorum and majority provided for in the Belgian Companies Code. The General Meeting of Shareholders of May 23, 2007 delegated authority to the Board of Directors, for a period of 18 months from such a date, to acquire Fortis Shares up to the maximum number allowed under Article 620, § 1, 2° of the Belgian Companies Code and for a consideration equal to the average of the closing prices of the Fortis Share on Euronext Brussels and Euronext Amsterdam on the day immediately preceding such a repurchase, increased or decreased by a maximum of 15%.

Limitation on right to hold or vote shares

There are no limitations imposed by Belgian law or the articles of association on the right of non-resident owners to hold or vote the shares solely by reason of such non-residence.

Option Rights

See "*Employee Stock and Option Plans*" above.

Obligation of shareholders to disclose major holdings

All natural or legal persons who possess or acquire rights or other securities in the meaning of the Belgian Law of March 2, 1989 concerning the notification of major shareholdings in companies listed on the stock market and regulating public take-over bids, must declare to the Board of Directors and the CBFA the number of rights or securities directly or indirectly owned or owned in concert with one or more other persons, when these rights or securities confer voting rights amounting to 3% or more of the total voting rights in the company at the time when the situation giving rise to the declaration occurs.

All additional rights or securities acquired or transferred under the same conditions as those described above must also be declared to the Board of Directors and to the CBFA if, as a result of this operation, the voting rights in the company attached to the rights or securities attain 6%, 9%, 12% etc., in each case per bracket of 3%, of the aggregate voting rights at the time when the operation giving rise to the declaration is implemented. This declaration is also required in the case of transferring rights or securities if, as a result thereof, the voting rights drop below one of the thresholds mentioned in this and the previous paragraph.

Such declarations relating to the acquisition or transfer of rights or securities must be sent to the CBFA and, by registered letter, to the Board of Directors, no later than the second working day following the day on which the acquisition or transfer took place. Rights or securities acquired by means of an inheritance do not have to be declared until 30 days following the acceptance of the inheritance, subject to the benefit of an estate inventory, as the case may be.

Fortis SA/NV shall take the necessary steps to publish any declarations it has received by posting these on public notice boards and including them in the official listings of all stock exchanges on which Fortis Shares are officially listed, no later than the working day following the receipt of the declaration.

No one may cast a greater number of votes at the General Meeting than those attached to the rights or securities it has declared to be in its possession according to the provisions described above at least 20 days before the date of the General Meeting of Shareholders, subject to certain exceptions.

The Belgian Law of May 2, 2007 on the disclosure of significant shareholdings in issuers whose securities are admitted to trading on a regulated market and containing various provisions (the "**New Transparency Law**"), implementing the European Directive 2004/109/EC of December 15, 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC, will modify the regime on the notification of significant shareholdings as soon as it enters into force. The date of entry into force of the new regime will be determined by a Royal Decree, which will contain additional implementing measures. This Royal Decree has not yet been adopted on the date of this prospectus. The provisions of the Belgian Law of March 2, 1989 described above will be abrogated as of the date of entry into force of the New Transparency Law.

The main changes contained in this legislation are the following:

- The New Transparency Law reduces the thresholds for the first notification that issuers may introduce in their articles of association. According to Article 18 of the New Transparency Law, thresholds of 1%, 2%, 3%, 4% and 7.5% may be introduced in the articles of association. An issuer may choose to apply any or all of these lower and intermediary thresholds. Since the introduction of these thresholds may not impair the obligatory compliance with the legal thresholds (5% and multiples of 5%), a notification will be required when either of the legal thresholds or the thresholds laid down by the articles of association are reached.

- The events triggering a mandatory notification are extended. While the principle under the Law of March 2, 1989 is that the possession, acquisition and transfer of securities are essentially the only events that trigger the obligation to notify, the New Transparency Law extends the notification obligation to events where there is no acquisition or transfer of securities:

- Under the New Transparency Law, a notification is required where, as a result of events changing the breakdown of voting rights, the percentage of voting rights attached to securities with voting rights reaches, exceeds or falls below the thresholds provided for in the above paragraph, even where no acquisition or disposal of securities has occurred (e.g., share capital increase or cancellation of treasury shares);

A notification is also required when physical persons or legal entities enter into an agreement of action in concert, where as a result of such event, the percentage of voting rights subject to the action in concert or the percentage of voting rights of one of the parties acting in concert, reaches, exceeds or falls below the thresholds mentioned in the first paragraph.

USE OF PROCEEDS

The gross proceeds from the issue of the CASHES will be EUR 3,000,000,000. After payment of underwriting fees and discounts related to the offering but before payment of certain expenses associated therewith, the net proceeds of the issue of the CASHES will be approximately EUR 2,955,000,000. Fortis will use the proceeds of the offering of the CASHES to finance part of the consideration payable by Fortis in connection with the acquisition of ABN AMRO by RFS Holdings.

INFORMATION ABOUT THE ACQUISITION OF ABN AMRO

Cautionary statement

The following discussion is based on publicly available information regarding the ABN AMRO Businesses and estimates and assumptions regarding the synergies, cost savings and business growth opportunities Fortis expects to achieve following the acquisition of the ABN AMRO Businesses as well as assumptions regarding the comparability of Fortis and ABN AMRO information. There can be no assurance as to the accuracy, completeness or truth of the ABN AMRO information (see the Section "Information regarding ABN AMRO") or as to whether the expected synergies, cost savings and business growth opportunities will develop. In particular, certain financial and other information with respect to the ABN AMRO Business Unit Netherlands in this Prospectus includes estimates based on ABN AMRO's 2005 publicly reported information as ABN AMRO did not report separate information at the same level of detail for this Business Unit in 2006. In addition, there can be no assurance that Fortis will be able to successfully implement the strategic or operational initiatives that are intended or that the combined information presented is an indication of future results. See also "Information Regarding ABN AMRO", "Forward-Looking Statements" and "Risk Factors".

*In order to secure the approval of the European competition authorities in respect of the ABN AMRO transaction, Fortis and the European Commission have discussed alternative remedies to solve competition concerns identified by the European Commission in the commercial banking segment in The Netherlands following the acquisition of the ABN AMRO Businesses. In this context, Fortis has proposed and, on October 3, 2007 the European Commission has accepted, a post-acquisition divestment package relating to specified parts of the Business Unit Netherlands of ABN AMRO (the **"Divestment"**).*

Central to the Divestment is the proposed sale of certain parts of the ABN AMRO Businesses in the commercial banking segment in The Netherlands, including Hollandsche Bank Unie N.V., an independent, separately licensed commercial bank, 13 advisory branches and 2 Corporate Client Units (excluding customers with a turnover above EUR 250 million), as well as of the assets of IFN Finance BV, the Dutch factoring subsidiary of ABN AMRO.

The scope of the Divestment represents approximately 10% of the scope of the part of Business Unit Netherlands to be acquired by Fortis in terms of assets, income and projected revenue and cost synergies. However, the restructuring charges remain unchanged compared to what was presented on May 29, 2007.

In 2006, the Divestment represented an estimated EUR 400 million in gross revenues and an estimated net profit of around EUR 80 million. Projected synergies would be reduced by an estimated 69 million compared to what was presented in the ABN Offer announcement, of which EUR 50 million were cost synergies. The foregoing estimates are based on Fortis's assessment, as there are no public figures available.

The ultimate financial impact of the Divestment on the contemplated business combination will also depend on the net sale proceeds that Fortis will be able to realize from this divestment.

ABN AMRO Offer

On July 23, 2007, RFS Holdings, a company formed by the Consortium Banks for the purpose of acquiring ABN AMRO commenced an offer for all of the outstanding ordinary shares of ABN AMRO. The ABN AMRO Offer consideration payable by the Consortium Banks in the aggregate amounted to approximately EUR 71.1 billion.[13] For each ABN AMRO ordinary share tendered, RFS Holdings has paid EUR 35.60 in cash plus 0.296 new RBS shares. Under the terms of the Consortium and Shareholders' Agreement described below under "— *Summary of Consortium and Shareholders' Agreement*", Fortis has funded EUR 24 billion,[14] 33.8% of the total consideration payable in the ABN AMRO Offer.

Fortis is financing its portion of the ABN AMRO Offer consideration as follows:

- EUR 2 billion from the sale on July 11, 2007 of Conditional Capital Exchangeable Notes exchangeable into Mandatory Convertible Securities;

[13] Based on undiluted number of shares of ABN AMRO as at December 31, 2006 and a price of RBS shares of 568 p. at the close of business on August 30, 2007, as listed on the London Stock Exchange Daily Official List on August 30, 2007 and an exchange rate of EUR 1.00 per £ 0.6767, as published in the Financial Times on August 31, 2004. On a fully diluted basis, the ABN AMRO Offer consideration amounted to EUR 73 billion.

[14] Based on undiluted number of shares of ABN AMRO. On a fully diluted basis, Fortis# share of the ABN AMRO Offer consideration will amount to EUR 24.7 billion.

- EUR 13 billion from the proceeds of the Rights Offer; and
- EUR 9.5 to 11.0 billion from the proceeds of a combination of (i) the issue of other Tier 1 capital instruments (approximately EUR 3.0-5.0 billion), including the proceeds of this Offering; (ii) the sale of specific non-core assets (approximately EUR 2.5 billion); (iii) sale of shared assets of the Consortium (approximately EUR 2.0 billion); and (iv) securitisation and other similar transactions (approximately 2.0 billion).

In this respect, Fortis announced on July 12, 2007 that EUR 1.6 billion (sale price) of such an amount had been raised, representing a capital relief of EUR 1.2 billion due to the decrease in the risk weighted assets, by divesting various assets and shareholdings in European financial institutions. This amount includes the proceeds (EUR 980 million) from the sale by Fortis, announced on July 11, 2007, of its share in the joint venture CaiFor to its Spanish partner "la Caixa"; this transaction closed on November 13, 2007.

Plans for the ABN AMRO Businesses

With the successful completion of the ABN AMRO Offer, RFS Holdings has acquired ABN AMRO and the ABN AMRO Businesses will be governed and reorganized as contemplated by the Consortium and Shareholders' Agreement among the Consortium Banks. Fortis now holds shares in RFS Holdings that equal its proportionate funding commitment (33.8%) for the ABN AMRO Offer consideration and the capital and income rights of shares issued to each of the Consortium Banks will be linked to the net assets and income of the respective ABN AMRO Businesses that they will acquire following the reorganization of ABN AMRO.

Following the reorganization, Fortis will acquire:

- Business Unit Netherlands (excluding the former Dutch wholesale clients, Interbank, DMC Consumer Finance as well as certain commercial banking activities to be divested by Fortis after the completion of the ABN AMRO Offer as part of the Divestment),
- Business Unit Private Clients globally,
- Business Unit Asset Management globally, and
- the ABN AMRO brand name (collectively, the "**ABN AMRO Businesses**").

ABN AMRO Business segments balance sheet information at December 31, 2006 (in EUR million)(1):

	BU Netherlands	BU Private Clients	BU Asset Management
Total assets	169,862	20,510	1,402
Total liabilities	168,755	19,012	1,044
Risk weighted assets	75,617	9,672	870
Assets under administration (in EUR billion)	—	142	193

ABN AMRO Business segments balance sheet information at June 30, 2007 (in EUR million)(1):

	BU Netherlands	BU Private Clients	BU Asset Management
Total assets	215,800	19,200	1,600
Risk weighted assets	90,000	8,300	1,000
Assets under administration (in EUR billion)	—	150	210,6

Notes:

(1) As reported by ABN AMRO. Not adjusted for change in perimeter.

During the reorganization period, the Consortium Banks will retain a shared economic interest in all central functions (including Head Office functions) that provide support to ABN AMRO's businesses. The Consortium Banks will also retain shared economic interests in certain assets and liabilities of ABN AMRO which the Banks regard as non-strategic. These include ABN AMRO's private equity portfolio, its stakes in Capitalia and Saudi Hollandi, and Prime Bank. These are expected to be disposed of over a period of time with a view to maximising value.

The ABN AMRO Businesses

Business Unit Netherlands (excluding the former Dutch wholesale clients, Interbank and DMC Consumer Finance)

The ABN AMRO Business Unit Netherlands being acquired by Fortis serves consumer and commercial banking clients in The Netherlands. After implementation of the Divestment, this Business Unit will have, with approximately 21,000 staff operating through a network of 561 bankshops, 65 advisory branches, three dedicated mid-market corporate client units, two large corporate client wholesale centers and four integrated call centres. Business Unit Netherlands also operates approximately 1,600 ATMs and internet and mobile channels and is active in the intermediary market with amongst others mortgages.

For the year ended December 31, 2006, excluding discontinued businesses, the Business Unit Netherlands generated total operating income of EUR 4,640 million and reported a net operating profit after tax of EUR 844 million. Excluding former Dutch Wholesale Clients (being acquired by RBS), Interbank and DMC Consumer Finance (sold to Santander) and adjusted for exceptional items, the Business Unit Netherlands business being acquired by Fortis generated total operating income estimated at EUR 3,948 million and a net operating profit after tax estimated at EUR 795 million for the year ended December 31, 2006.

The following table shows Fortis' estimates of certain financial information relating to ABN AMRO's Business Unit Netherlands (figures net of the impact of the Divestment):

		BU Netherlands — Estimates		
	Reported(1)	Exceptional Items(2)	Change in Perimeter(3)	Management Estimates(4)
		(EUR million)		
Total operating income	**4,640**	—	**978**	**3,662**
Total operating expenses	(3,118)	43	690	2,428
Loan impairment and credit risk provision	(359)	—	58	301
Operating profit before taxes	**1,163**	**43**	**230**	**976**
Income tax expenses	(319)	(13)	59	273
Profit from continuing operations	**844**	**30**	**171**	**703**
Discontinued operations (net)	505			
Net profit	**1,349**			

Notes:

(1) As reported by ABN AMRO and included in the illustrative financial information presented in the section below entitled "— *Financial Information relating to the Acquisition of the ABN AMRO Businesses*".

(2) Exceptional items relate to non-recurring restructuring charges based on information as reported by ABN AMRO.

(3) Estimated impact of the disposal of the former Dutch wholesale clients, Interbank and DMC Consumer Finance.

(4) The above estimates are based on historical information and assumptions and may not be indicative of future results.

Business Unit Private Clients

The Business Unit Private Clients provides private banking services to wealthy individuals and institutions with EUR 1 million or more in net assets to invest. In 2006, ABN AMRO was one of the top five private banks in Europe measured by assets under administration. It employed approximately 3,300 staff, operating through 103 offices in 23 countries and had EUR 142 billion of assets under administration.[15]

For the year ended December 31, 2006, the ABN AMRO Business Unit Private Clients being acquired by Fortis generated total operating income of EUR 1,389 million and reported net operating profit after tax of EUR 272 million. Adjusted for exceptional items, the net operating profit after tax is estimated at EUR 253 million for 2006.

[15] Source: Publicly available information: annual accounts 2006.

The following table shows Fortis' estimates of certain financial information relating to ABN AMRO's Business Unit Private Clients:

	BU Private Clients — Estimates		
	Reported(1)	Exceptional Items(2)	Management Estimates(3)
		(EUR million)	
Total operating income	**1,389**	—	**1,389**
Total operating expenses	(956)	(27)	(983)
Loan impairment and credit risk provision	(40)	—	(40)
Operating profit before taxes	**393**	**(27)**	**366**
Income tax expenses	(121)	8	(113)
Profit from continuing operations	**272**	**(19)**	**253**

Notes:

(1) As reported by ABN AMRO and included in the illustrative financial information presented in the section below entitled "— *Financial Information relating to the Acquisition of the ABN AMRO Businesses*".

(2) Exceptional items relate to non-recurring releases of restructuring charges based on information as reported by ABN AMRO.

(3) The above estimates are based on historical information and assumptions and may not be indicative of future results.

Business Unit Asset Management

The Business Unit Asset Management provides asset management services directly to institutional clients (such as central banks, pension funds, insurance companies and leading charities) and to private investors through ABN AMRO's consumer and private banking arms and through third-party distributors such as insurance companies and other banks. It employs approximately 1,500 staff and operates in 26 countries worldwide. At the end of 2006, the Business Unit Asset Management managed EUR 193 billion of assets under management; just over 50% of the assets managed were for institutional clients, around 30% for consumer and third-party clients and the remainder in discretionary portfolios for Business Unit Private Clients.

For the year ended December 31, 2006, the ABN AMRO Business Unit Asset Management generated total operating income of EUR 828 million and reported net operating profit after tax of EUR 235 million. Adjusted for exceptional items, the business being acquired by Fortis has generated total operating income estimated at EUR 745 million and an adjusted net operating profit after tax of EUR 152 million. Minority interests are estimated at EUR 14 million leading to an adjusted net operating profit after tax and after minority interests of EUR 138 million in 2006.

The following table shows Fortis' estimates of certain financial information relating to ABN AMRO's Asset Management business:

	BU Asset Management — Estimates		
	Reported(1)	Exceptional Items(2)	Management Estimates(3)
Total operating income	**828**	**(83)**	**745**
Total operating expenses	(528)	—	(528)
Loan impairment and credit risk provision	—	—	—
Operating profit before taxes	**300**	**(83)**	**217**
Income tax expenses	(65)	—	(65)
Profit from continuing operations	**235**	**(83)**	**152**(4)

Notes:

(1) As reported by ABN AMRO and included in the illustrative financial information presented in the section below entitled "— *Financial Information relating to the Acquisition of the ABN AMRO Businesses*".

(2) Exceptional items relate to the non-recurring gain on sales of some asset management operations based on information as reported by ABN AMRO.

(3) The above estimates are based on historical information and assumptions and may not be indicative of future results.

(4) Including EUR 14 million estimated minority interests.

Combination with the ABN AMRO Businesses

The successful combination of Fortis and the ABN AMRO Businesses is expected to create a top European financial institution. Based on 2006 published data and after implementation of the Divestment, the combined businesses would have more than 80,000 employees worldwide, more than 10 million customers in the Benelux alone, projected revenues of EUR 16.4 billion, total Banking and Insurance net profit of more than EUR 5.5 billion (which is among the top five in countries that use the Euro), 2,500 retail branches and 145 business centres across Europe.

The combination resulting from Fortis and the ABN AMRO Businesses will enjoy pre-eminent positions in all major market segments in the Benelux.

- *Leading positions in The Netherlands*.[16] This transaction is truly transformational and a unique opportunity for Fortis to cement its position as a leading financial institution in The Netherlands. The new combined group is expected to occupy a leading position in Retail Banking (No. 3 based on retail banking assets and main bank relationships), Commercial Banking No. 1 based on number of main bank relationships) and Private Banking (No. 1 based on assets under management). Based on 2006 data, the combined businesses would have had total revenues of EUR 5,120 million and net profit of EUR 1,027 million in The Netherlands.

- *A Leading European Private Bank*.[17] Fortis and ABN AMRO's combined private bank would be the third largest European private bank with more than EUR 200 billion in AuM globally, based on 2006 data. With one integrated network and a large European and Asian footprint, the combined private bank will be positioned to be the service provider of choice for high net worth clients and ultra high net worth clients,

- *Top-tier Asset Management*.[18] The combined businesses would also be a top-tier European asset manager, with more than EUR 300 billion in AuM globally based on 2006 data. The combined asset management business is expected to benefit from a larger geographic footprint and enhanced offering to third-party distributors, leveraging on a wide, innovative and well-performing product range. The combined product range is anticipated to reach top quartile position across many asset classes and achieve scale in core growth products. Based on 2006 data, the combined asset management businesses would have had total revenues of EUR 1,092 million and net profit of EUR 236 million.

Fortis believes that its combination with ABN AMRO will benefit all stakeholders. Clients will benefit from an enhanced product offering and distribution network; employees will benefit from increased career opportunities; and both companies have a strong reputation for contributing to the local communities in which they operate.

Fortis values the strong brand of ABN AMRO in The Netherlands, and, as its owner, intends to capitalize on it, as well as on the Fortis brand. Both companies have best-in-class servicing models: while ABN AMRO has been named "Best Bank" on several occasions, including by Global Finance, and has an extremely well equipped retail branch network, Fortis has twice been awarded the title of Dutch "Commercial Bank of the Year" in the last three years and has a distinctive European network to service internationally active medium-sized enterprises.

Fortis believes that through combining their significant expertise in service quality, product development and distribution channels, the combined Fortis and the ABN AMRO Businesses will provide enormous opportunities to innovate, to invest in the best talents in the market, and to take the lead in product and technological development.

The combined business intends to pursue a socially responsible approach to business, in active dialogue with all stakeholders, in all the countries where it is present, leveraging on both companies' experience in investing in the community (through sponsorship, funding and employee volunteering).

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[16] Source: Greenwich Associate 2007 based on, amongst others, Credit impact on Domestic and Overall International Cash Management Relationships (2006) and Overall Relationship Performance (2006) (Greenwich Quality Index Score), *TOF* (*Totaal Onderzoek Financiële Diesnten*) Particulier 2006 (2-yearly survey on the retail banking sector in The Netherlands) based on consumer credits, customer cards, investment funds, mortgages, etc., all cross-checked against the overall market data available in reports by the DNB on the Dutch market and in annual accounts.

[17] Source: Publicly available information: annual accounts 2006.

[18] Source: Global Investor Magazine based on total third party assets under management 2006.

Business rationale of the ABN AMRO Acquisition

Anticipated cost synergies and revenue benefits

Fortis believes that the combined activities will allow it to accelerate its strategy to become one of Europe's most dynamic and sustainable financial services providers, helping it to grow its businesses in "Enlarged Europe", and selectively in Asia and North America.

In addition, Fortis believes that its acquisition of the ABN AMRO Businesses will create substantial synergies. The expected pre-tax synergies are estimated at EUR 1.3 billion, 87% on the cost savings side and 13% on the revenue benefit side. Fortis expects that these synergies will be realized in stages, approximately 30% in 2008, another 40% in 2009 and the remaining 30% in 2010.

Fortis estimates that the Business Unit Netherlands will account for EUR 506 million of these pre-tax synergies. Of that EUR 506 million, EUR 431 million is expected to be achieved on the cost side through network rationalisation through branch mergers and the combinations of Direktbank and Florius / ABN AMRO hypotheekbedrijf and ABN AMRO credit cards into International Card Services on the retail bank side and a focused business centres approach and corporate and investment banking presence combined with efficient management structuring the commercial banking. Additional Business Unit Netherlands cost synergies are expected to be obtained through the combination and integration of overlapping support functions. Fortis also estimates that the combination with Business Unit Netherlands will result in EUR 75 million of pre-tax revenue synergies, attributable to higher sales volumes on mutual funds, increased bancassurance penetration and a higher activation of ABN AMRO credit on the retail banking side as well as an increased ability to exploit value-added skills, such as leasing and factoring, on an enlarged customer portfolio along with benefits from the pan-European "network effect" in the commercial banking business. Additionally, risk enhancement is expected to lead to lower credit losses.

Fortis estimates that the Business Unit Asset Management will account for EUR 160 million of these pre-tax synergies. Of that EUR 160 million, Fortis expects that EUR 145 million in cost synergies will be realized through the alignment of the investment process and the combination and integration of overlapping support functions and IT infrastructure. Fortis expects the remaining EUR 15 million of revenue synergies to result from the cross-selling of products to Fortis' and ABN AMRO's respective client bases and leveraging growth in Asia.

Fortis estimates that the Business Unit Private Banking will account for EUR 203 million of pre-tax synergies, of which EUR 160 million are expected to be cost synergies achieved through a combination of overlapping support functions and EUR 43 million are expected to be revenue synergies achieved through leveraging credit and investment services and the cross-selling of products.

The remaining EUR 421 million of these EUR 1.3 billion in synergies are expected to be achieved through the integration of the major business systems (34%), shared operations (24%) and IT infrastructure (42%). The integration of major business systems is expected to account for 34% of such EUR 421 million of synergies, further split into common investments (accounting for EUR 75 million), such as current duplication of regulatory and business investments in common business systems, and single platform maintenance (accounting for EUR 67 million such as reduced maintenance costs through the consolidation of business systems. Additionally, both common investments and single platform maintenance are expected to benefit from smartsourcing and optimising the external service provider delivery of business systems. Shared operations are expected to account for 24% of this EUR 421 million through the integration of operational units in The Netherlands, increasing scale effects and smartsourcing opportunities, and the integration and deployment of cross-border shared services, leveraging workload balancing mechanisms. Increased IT infrastructure efficiencies are expected to account for the 42% of this EUR 421 million in synergies. Of this 42%, EUR 141 million in synergies are expected to be achieved through data centre and application servers, including the consolidation of Benelux data centers, retirement and consolidation of application servers and support infrastructure, and hardware and software vendor and IT external service provider renegotiations. The remaining EUR 26 million of these IT infrastructure synergies are expected to be achieved in the data networks area, though overlaps in the domestic data networks in The Netherlands and Benelux along with international data network optimisation.

Fortis intends to integrate the ABN AMRO Businesses over a 36-month period, focusing on, amongst others, the identification and mitigation of all relevant integration risks. During integration, Fortis will focus on ensuring minimal disruption for clients. Fortis expects the total integration costs to be EUR 1.54 billion, of which 30% will be attributable to Retail Banking, 17% to IT and Operations, 16% to Private Banking, 14% to Asset Management, 12% to Commercial Banking and the remaining 11% to general overhead.

The following table sets out the benefits that Fortis expects to gain within three years of completion of the transaction as a result of the integration of the ABN AMRO Businesses. For further information about the plans, proposals, estimates and assumptions of Fortis for achieving these benefits, see "*— Plans for the ABN AMRO Businesses*" and "*— Combination with the ABN AMRO Businesses*" above. The following table sets out the pre-tax benefits that Fortis expects to gain within three years of completion of the ABN AMRO Offer as a result of the integration of the ABN AMRO Businesses (after giving effect to the impact of the Divestment). While Fortis believes these figures provide a reasonable estimation of such benefits, these estimates are based on historical information and assumptions and there can be no assurance that such synergies or savings will be attained.

Figures Before Tax	Estimated Cost Savings per Annum by End of 2010	Estimated Revenue Synergies per Annum by End of 2010
	(EUR million)	
Dutch Retail Business[1]	295-300	45-50
Dutch Commercial Business[1]	80-85	5-10
Private Banking	160	43
Asset Management	145	5
Central Functions	414	54
Total	**1,094-1,104**	**162-172**

Notes:

(1) Taking into account the impact of the Divestment.

In 2006, ABN AMRO's cost to income ratio was 69.6%, compared to 61.2% for Fortis Bank. Fortis believes its projected synergies with the ABN AMRO Businesses are based on achievable objectives. Most of the estimated transaction benefits are expected to result from cost savings which Fortis believes are based on reasonable estimates, in line with past achievements. Fortis expects that a substantial proportion of the estimated cost savings will result from de-duplication of overlapping activities and are not dependent on a substantial off-shoring of functions.

While the clear cost-saving opportunities underpin the potential value creation, Fortis also believes that there are considerable opportunities to create sustainable increases in profitable revenue growth. The combination of complementary businesses and capabilities will create additional opportunities for growth which are not available to ABN AMRO alone. Fortis has the resources to capitalize on these opportunities for growth. Fortis estimates that identified revenue benefits, net of associated costs and bad debts, before tax, will be approximately EUR 168 million by the end of 2010.

Due to the comprehensive strategic fit of its current businesses with the ABN AMRO Businesses, Fortis expects that, following its acquisition of the ABN AMRO Businesses, it will be able to create stronger businesses with enhanced market presence and growth prospects, leading to substantial value creation and benefits for shareholders, customers and employees. Fortis has the financial and managerial resources to invest in and grow the ABN AMRO Businesses and has proven records of growing its own businesses.

Expected financial impact

Fortis Bank's Tier 1 capital ratio is expected to evolve close to 6.8% and its insurance capital adequacy ratio is expected to be approximately 253% after the successful completion of the reorganization of ABN AMRO. After the acquisition, Fortis Bank's target Tier 1 capital ratio is expected to be 7% and its target insurance capital adequacy ratio is expected to be 225%, as described in the section below entitled "*— Overview of the integration process*". At that moment and in a situation of full consolidation, the total goodwill will be deducted from Tier 1 capital.

This projection considers that the acquisition, the financing, the reorganization and the separation of the ABN AMRO Businesses, the sale of non-core assets and other capital relief transactions are fully executed. A projection of the Fortis Bank's Tier 1 capital ratio is expected to evolve close to 9.9% immediately after the issuance of the CASHES and before all other actions to be taken to finalize the reorganization of ABN AMRO and with the investment in RFS Holdings accounted for by Fortis using the equity method, resulting in a deduction of 50% of the goodwill from Tier 1 capital and 50% from Tier 2 capital. This projection is aligned with the illustrative financial information, compiled based on the expected situation being present immediately upon settlement of the ABN AMRO Offer.

Based on Fortis' forecasts for business growth and transaction benefits, the acquisition is expected to lead to a 2.7% accretion in cash earnings per share in 2010 and to produce a return on investment on a cash basis of 11.1% in 2010. The foregoing is based on the assumption that the proceeds from the Divestment will be used to reduce the core capital as appropriate. There can be no assurance that such growth or benefits will be attained.

Overview of the integration process

Following the completion of the ABN AMRO Offer, ABN AMRO is now owned by the Consortium Banks through RFS Holdings. However, there will be no immediate change to the structure or operations of ABN AMRO.

On November 1, 2007, the ABN AMRO extraordinary general meeting of shareholders confirmed the appointment to the Supervisory Board of ABN AMRO of Jean-Paul Votron, Chief Executive Officer of Fortis; Sir Fred Goodwin, Chief Executive Officer of RBS; and Juan Inciarte, General Manager of Santander. As of November 1, 2007 ABN AMRO's Managing Board is chaired by Mark Fisher of RBS; Karel De Boeck of Fortis is Deputy Chairman of ABN AMRO's Managing Board and John Hurricane, of RBS, is Chief Financial Officer of ABN AMRO. The Consortium Banks' immediate priority will be to ensure that the organization continues to provide high quality service to its customers and continues to meet all regulatory requirements.

The Consortium Banks are working with the management of ABN AMRO to verify and expand the information received from, and assumptions made on the basis of, the limited due diligence done before completion. Together with ABN AMRO, Fortis is preparing a base-lined plan for the separation and transfer of, among other things, the ABN AMRO Businesses to Fortis. Separately with representatives of the businesses it is acquiring, Fortis is drawing up plans that will allow it to achieve synergies in the months following the transfer of the ABN AMRO Businesses to the Consortium Banks.

This plan will form the basis for continued consultation with employee bodies and regulators with whom there have already been extensive discussions as part of an ongoing process. Implementation of the plan will begin only when the necessary approvals have been received.

The Consortium Banks intend that, as an interim step towards the separation of the ABN AMRO Businesses, ABN AMRO will be reorganized into three units containing the businesses that will ultimately be transferred to the respective Consortium Banks. A fourth unit will contain shared assets regarded as non-strategic.

Thereafter, as soon as reasonably practicable, certain businesses which can readily be separated will be legally transferred to the respective banks. Fortis and RBS will work together to separate The Netherlands retail and commercial banking operations from the global wholesale banking operations. The former will be transferred to Fortis while the latter will be owned by RBS. The separation and transfer of businesses will be subject to regulatory approval and appropriate consultation processes with employees, employee representatives and other stakeholders.

Information technology systems will in general be separated and transferred with the businesses they support. However, the Banks may take advantage of opportunities to create greater economic value by sharing platforms.

What follows is a description of the expected impact of the integration with the ABN AMRO Businesses on the Fortis business units involved.

Based on 2006 financial data adjusted for exceptional items and changes in perimeter, as mentioned before, the combination of Fortis and the ABN AMRO Businesses would be as follows:

FY 2006 (EUR million)	ABN AMRO Businesses	Fortis	Combined
Total Revenues — Bank	6,082	10,324	16,406
Oper. Expenses — Bank	(4,042)	(6,315)	(10,357)
Loan Losses	(360)	(152)	(518)
Total Net profit	1,200	4,352	5,552
C/I ratio — Bank	66.5%	61.2%	63.1%

Business Unit Netherlands

(i) Retail Banking

Subsequent to completion of the reorganization, Fortis retail activities in The Netherlands will merge with ABN AMRO's existing operations, whilst aiming to ensure a smooth transition and undisrupted service to all customers. In the future, Fortis expects that its customers will benefit from an even stronger product portfolio, full-service SME banking and a combined personal/preferred banking proposition. Individual customers will have access to this enlarged product offering through a wider branch network with nationwide coverage, intermediary channels and an advanced online banking platform. In addition, professionals and small businesses will have access the overall branch network, completed with dedicated advisory branches. To strengthen its competitive positioning and stimulate entrepreneurship, Fortis intends to roll-out a performance-driven reward system.

(ii) Commercial Banking

Fortis expects that internationally active medium-sized enterprises will be able to take advantage of a distinctive network of business centres in 19 countries across Europe. One global account manager with access to the combined Fortis and the ABN AMRO Businesses using an integrated platform, will serve these clients' interests in the different countries where they are active.

Fortis believes the combined networks will provide a wider-reaching geographical footprint of around 35 to 40 dedicated business centres in The Netherlands. These centres will be fully integrated into Fortis international business centre network and will benefit from the continuous upgrade of staff quality, coming from both of Fortis and ABN AMRO.

Fortis will endeavour to share best practices and intends to implement new added-value solutions for risk management, liquidity and asset-based finance with short time to market, drawing on the capabilities of Fortis and ABN AMRO locally, as well as Fortis on a global basis. For example, Fortis Enterprise & Entrepreneur solutions, by which owners and managers of companies serviced by Commercial Banking are offered wealth management solutions, will be transposed onto the enlarged customer base in the business community and private Dutch market in order to foster the growth of the combined businesses' Private Banking operations.

Based on 2006 financial data adjusted for exceptional items and changes in perimeter as mentioned before, the combined businesses would be as follows:

FY 2006 (EUR million)	ABN AMRO(1)	Fortis(2)	Combined(1)
Total Revenues	3,948	1,172	5,120
Oper. Expenses	(2,531)	(757)	(3,288)
Loan Losses	(320)	(94)	(414)
Net profit	795	232	1,027
Cost/Income	64.1%	64.5%	64.2%

Notes:

(1) BU Netherlands figures, excluding former Dutch wholesale clients, Interbank and DMC Consumer Finance activities (all based on Consortium Banks' estimates).

(2) Including Commercial Banking, Corporate Banking, Leasing, Factoring, Retail Banking, Direktbank, Consumer Finance and ALM.

Private Banking

Fortis expects that the addition of ABN AMRO Private Banking (excluding the private banking business in Latin America which will be acquired by Santander in the reorganization) will strengthen Fortis Private Banking franchize in Europe and establish a solid growth platform in Asia. Based on 2006 data, the combination is expected to create the third largest European private bank with more than EUR 200 billion in AuM. The combined Private Banking operations are expected by Fortis to be well positioned to reap the benefits of enlarged scale and a broader skill set.

Fortis anticipates that its enlarged geographic footprint will allow for an accelerated rollout of a full service offering in growth locations, such as UAE, India, Hong Kong and Singapore, and will strengthen its position in relation to other providers. As a result of the acquisition, Fortis expects to build a solid platform in Asia for capturing future growth. The combined organization is expect to be well diversified geographically, with around 50% of its business (in terms of AuM) coming from non-Benelux based on 2006 data.

Fortis believes that a close match in service philosophy and similar client focus will allow the new combined businesses to leverage best practices and local market strengths across the international network. The enhanced operating scale and heightened private bank identity is expected by Fortis to facilitate the recruitment, development and retention of international talent.

Based on 2006 financial data adjusted for exceptional items, the combined businesses would be as follows:

FY 2006 (EUR million)	ABN AMRO	Fortis	Combined
Total Revenues	1,389	703	2,092
Oper. Expenses	(983)	(474)	(1,457)
Loan Losses	(40)	2	(38)
Net profit	253	203	456
AUM	142	79	221

Based on 2006 data

Asset Management

Fortis believes that its and ABN AMRO's fund managers share a common management philosophy and comparable strategy. Fortis expects that since the products are highly complementary, the combined businesses will enjoy an established European franchize along with global reach and scale.

The combined business will be based on individual investment centres, each offering a broad range of asset classes. Fortis expects that each investment centre will have access to core proprietary research in order to be able to offer true multi-product investment and structuring solutions. Based on year end 2006 figures, the new team would comprise some 570 investment professionals, supported by more than 500 specialist sales and marketing executives. The offering will include the whole range of investment styles from traditional long only products to long/short products focused on absolute return strategies.

The complementary nature of the two product ranges is expected to allow the combined businesses to reach top quartile position across many asset classes and achieve scale in core growth products (such as equity and structured products, Socially Responsible Investors, global property, asset and liability management (ALM) capability and alternatives).

The ABN AMRO Acquisition is expected to create a combined business geared strongly to growth and Fortis Investments is planning to complete the integration within 12 to 18 months. In order to validate and detail the integration plans, Fortis expects to make a complete analysis of the combined Asset Management business in cooperation with the ABN AMRO teams following completion of the ABN AMRO Offer.

Fortis anticipates that this plan will clarify all the actions and responsibilities to be undertaken in order to realize the targeted business model and to deliver the expected synergies.

Based on 2006 financial data adjusted for exceptional items, the combined businesses would be as follows:

FY 2006 (EUR million)	ABN AMRO	Fortis	Combined
Total Revenues	745	347	1,092
Oper. Expenses	(528)	(208)	(736)
Loan Losses	—	—	—
Minorities	(14)	(3)	(17)
Net profit	138	98	236

Based on 2006 data

Details of the ABN AMRO Offer

Overview of the ABN AMRO Offer

On May 28, 2007, Fortis and the other Consortium Banks entered into a Consortium and Shareholders' Agreement described in the "*— Summary of Consortium and Shareholders' Agreement*" section below in order to govern the terms of their joint investment in RFS Holdings, a company formed specifically for the purpose of making an offer to acquire 100% of the issued and outstanding share capital of ABN AMRO.

On July 23, 2007, RFS Holdings commenced its offer for all of the outstanding ordinary shares of ABN AMRO ("**ABN AMRO Shares**") and American Depositary Shares ("**ABN AMRO ADSs**") representing ABN AMRO Shares (collectively, the "**ABN AMRO Offer**") upon a public announcement on July 21, 2007 that the Offer Memorandum ("*biedingsbericht*") relating to the ABN AMRO Offer was available ("*verkrijgbaar*") and by filing a tender offer statement on Schedule TO with the SEC in the United States (collectively, the "**Offer Documents**"), pursuant to which RFS Holdings commenced the ABN AMRO Offer. Upon the terms and subject to the conditions set forth in the Offer Documents, RFS Holdings offered to exchange for each ABN AMRO Share and each ABN AMRO ADS validly tendered (or defectively tendered provided that such defect is waived by RFS Holdings) and not properly withdrawn:

- EUR 35.60 in cash, without interest; and
- 0.296 newly issued RBS ordinary shares, nominal value £0.25 per share.

The consideration set out above assumed the payment by ABN AMRO of an interim (cash or share) dividend in respect of 2007 of EUR 0.58 per ABN AMRO Share (before deduction of any applicable withholding taxes) as declared by ABN AMRO on July 30, 2007.

On August 15, 2007, the Consortium Banks announced that, despite the announcement by ABN AMRO of an interim dividend of EUR 0.58 per ABN AMRO Share, the Consortium Banks had determined that the consideration offered by RFS Holdings in the ABN AMRO Offer would not be reduced in respect of the excess of such amount over the amount assumed for such dividend in RFS Holdings' original ABN AMRO Offer documentation.

Based on the price of RBS ordinary shares of 568p at the close of business on August 30, 2007, and using the same exchange rate, the value of the ABN AMRO Offer as at August 30, 2007 was EUR 38.08 per ABN AMRO Share.

Timing of the ABN AMRO Offer

The ABN AMRO Offer commenced on July 23, 2007 and expired at 3:00 p.m. Amsterdam time (9:00 a.m. New York City time) on October 5, 2007.

On October 8, 2007 the Consortium Banks announced that, as of the expiration of the Offer Period, 1,590,339,614 ABN AMRO ordinary shares, representing approximately 86% of ABN AMRO's share capital, had been tendered in the ABN AMRO Offer. This satisfied the minimum acceptance condition.

On October 10, 2006 the Consortium Banks declared the ABN AMRO Offer unconditional. In accordance with normal practice in The Netherlands, the Banks provided a subsequent offer period (the "**Subsequent Offer Period**") to allow ABN AMRO shareholders who had not yet accepted the Offer to tender their ABN AMRO shares for the same consideration and pursuant to the same terms described in the documents relating to the Offer; the Subsequent Offer Period started on October 11, 2007 and ended on October 31, 2007. On completion of the Subsequent Offer Period the Banks had acquired 98.8% of the ABN AMRO share capital.

Regulatory matters

RFS Holdings and the Consortium Banks have obtained all necessary approvals for the acquisition of ABN AMRO with their home regulators and have made substantially all other applications for regulatory change of control approval. Approval was obtained from, amongst others, the Financial Services Authority, the De Nederlandse Bank ("**DNB**"), the Spanish Securities Market Commission (Comisión Nacional del Mercado de Valores, or "**CNMV**"), and the CBFA. The consents obtained are in respect of the acquisition of the ABN AMRO group as a whole.

In addition, in order for the conditions to the ABN AMRO Offer to have been satisfied, RFS Holdings and/or the Consortium Banks made certain competition and antitrust filings with, and obtain approvals from, certain regulatory authorities with respect to the acquisition of ABN AMRO as well as in some cases the reorganization of ABN AMRO following completion of the ABN AMRO Offer. In particular, competition consents or confirmations were obtained from, among others, the U.S. Federal Trade Commission and the antitrust division of the U.S. Department of Justice.

Although the Consortium Banks sought certain regulatory approvals for the reorganization of ABN AMRO after the acquisition, other than as contemplated in the Antitrust Condition, obtaining regulatory approvals for the reorganization (as opposed to the acquisition) of ABN AMRO was not a condition to the ABN AMRO Offer. Since the ABN AMRO Offer was declared wholly unconditional, RFS Holdings and the

Consortium Banks have approached banking regulators in each jurisdiction where ABN AMRO entities are located and, where relevant, requested consent to the proposed restructuring of the ABN AMRO group.

The subsequent restructuring of the ABN AMRO group may also require further anti trust clearance in certain jurisdictions, which processes are being progressed.

On September 17, 2007, the Dutch Minister of Finance, on the advice of DNB, granted the Consortium Banks the Declarations of No Objection they required in respect of the ABN AMRO Offer. The Declarations of No Objection contained specific conditions and requirements, including (i) that the Consortium Banks ensure sufficient continuity within the Management Board and the Supervisory Board of ABN AMRO Holding N.V. and ABN AMRO Bank N.V., (ii) that RBS be primarily responsible for the governance of ABN AMRO during the transition phase of the reorganization, (iii) that within two months of the entry into force of the Declarations of No Objection, the Consortium Banks shall ensure that ABN AMRO draws up a robust and detailed Transitional Plan, (iv) that the Consortium Banks not make any fundamental changes to the current set-up of ABN AMRO before (a) the Consortium Banks have obtained sufficient control over ABN AMRO in order effect an orderly execution of the proposed reorganization and (b) the transitional plan is approved by DNB and (v) the Consortium Banks commit to maintain target levels of capital and liquidity determined between DNB and ABN AMRO. The Declarations of No Objection entered into force when ABN AMRO Offer was declared unconditional by the Consortium Banks.

In order to secure the approval of the European competition authorities in respect of the ABN AMRO transaction, Fortis and the European Commission have discussed alternative remedies to solve the competition concerns identified by the European Commission in the commercial banking segment in The Netherlands following the acquisition of the ABN AMRO Businesses. In this context, Fortis proposed and, on October 3, 2007 the European Commission accepted, Fortis to implement the Divestment as discussed in the Cautionary Statement to Section 3 above, and granted Fortis the necessary approval for the acquisition of the ABN AMRO Businesses.

In certain jurisdictions where ABN AMRO has operations, the local regulatory regime imposes a statutory timeframe within which the relevant regulator must communicate its decision on the application for regulatory change of control consent. In others, there is no such timeframe and RFS Holdings cannot, therefore, be certain as to when consent might be granted (if at all).

Summary of Consortium and Shareholders' Agreement

The Consortium and Shareholders' Agreement (the "**Consortium and Shareholders' Agreement**") was executed by and among Fortis, RBS, Santander and RFS Holdings on May 28, 2007, supplemented on September 17, 2007 and may be further amended or supplemented from time to time.

The Consortium and Shareholders' Agreement governs the relationships among Fortis, RBS, Santander and RFS Holdings in relation to the ABN AMRO Offer and the acquisition. It also details the approach the Consortium Banks have adopted for the governance and management of ABN AMRO following the acquisition. The provisions of the Consortium and Shareholders' Agreement relating to the restructuring and management of ABN AMRO set out certain goals to be achieved by ABN AMRO's Managing Board; such goals will also require resolutions to be passed by the board of certain ABN AMRO group companies.

The arrangements contemplated by the Consortium and Shareholders' Agreement include, among others:

- the funding of RFS Holdings in connection with the ABN AMRO Offer;
- the governance of RFS Holdings before and after the acquisition of ABN AMRO;
- Fortis, RBS and Santander's equity interests in RFS Holdings;
- the transfer of certain ABN AMRO businesses, assets and liabilities to Fortis, RBS and Santander (or their group members) after the acquisition of ABN AMRO by RFS Holdings;
- the management and disposal of any businesses, assets and liabilities of ABN AMRO not intended to be transferred to Fortis, RBS or Santander;
- allocation of core tiers/capital;
- further funding obligations after the acquisition of ABN AMRO where funding is required by regulatory authorities in connection with the businesses of ABN AMRO; and
- allocation of taxes and conduct of tax affairs.

Key provisions of the Consortium and Shareholders' Agreement include:

Funding of RFS Holdings

Fortis, RBS and Santander agreed to subscribe to shares in RFS Holdings of a sufficient amount to fund the consideration due under the ABN AMRO Offer. This funding commitment is split among Fortis, RBS and Santander as follows:

- Fortis: 33.8%;
- RBS: 38.3%; and
- Santander: 27.9%.

Settlement of the ABN AMRO Offer has taken place on October 17, 2007. Prior to such date the Consortium Banks had satisfied their funding obligations in accordance with the Consortium and Shareholders' Agreement provisions.

Ownership of RFS Holdings

Upon funding for the settlement of the ABN AMRO Offer, Fortis, RBS and Santander have acquired shareholdings in RFS Holdings that are equal to their proportionate funding commitments. Four classes of shares have been issued by RFS Holdings, with one class for each of Fortis, RBS and Santander and a further class issued to all three.

The application to RFS Holdings of the economic/accounting mechanism agreed in the Consortium and Shareholders' Agreement results in the capital and income rights of the three classes of shares that have been issued to Fortis, RBS and Santander, respectively, to be linked effectively to the net assets and income of the business units which the relevant shareholder will acquire following implementation of the restructuring of ABN AMRO contemplated by the Consortium and Shareholders' Agreement. The fourth class, which will be issued to Fortis, RBS and Santander in proportion to their funding commitments, will reflect their ultimate pro rata interests in the businesses, assets and liabilities that are not being acquired by any of them individually.

Governance (post-completion)

ABN AMRO

It has been agreed that the roles of the Supervisory Board and the Managing Board of ABN AMRO remain unchanged while the reorganization process is taking place; the Supervisory Board and the Managing Board remain responsible for the management of the ABN AMRO group and each Board member has a duty to the ABN AMRO group in its entirety. Each member of the Managing Board reports to the Chairman of the Managing Board and is accountable for a defined set of responsibilities aimed at achieving efficient management of the ABN AMRO group. The Chairman of the Managing Board is expected to ensure that each members of the Managing Board has the necessary skills and experience in the relevant markets and is able to carry out its duties in relation to the business for which each such Managing Board member has the lead responsibility.

A number of additional matters have been agreed to be referred to the Supervisory Board for approval by a simple majority, in addition to those matters already reserved for reference to the Supervisory Board according to ABN AMRO's practice. The most significant of such additional matters is the approval of the Transitional Plan (as defined below) and any subsequent material amendment to it. Such additional matters are: (i) proposals for capital expenditure in excess of EUR 150 million; (ii) material changes in the nature of businesses; (iii) material acquisitions and disposals; (iv) material litigation; and (v) material contracts not in the ordinary course of business.

RFS Holdings

Since settlement of the ABN AMRO Offer, the Board of RFS Holdings consists of four directors, two nominated by RBS and one nominated by each of Fortis and Santander. Sir Fred Goodwin of RBS is one of the RBS nominees and is the Chairman of the Board, with a casting vote to decide matters on which the Board cannot otherwise agree.

Board decisions will generally be taken by a simple majority vote subject to minority protections in the form of reserved matters set out in the Consortium and Shareholders' Agreement that will require the approval of at least one director nominated by each of Fortis, RBS and Santander.

The Consortium Banks have agreed for RBS to take lead responsibility for running the whole of ABN AMRO throughout the transition period until the individual ABN AMRO businesses are legally transferred to the individual Consortium Banks. Until that time, the ABN AMRO group will continue to act as a single coordinated institution in respect of all liabilities, requirements and regulatory interfaces.

Reorganization

ABN AMRO

The Consortium and Shareholders' Agreement requires the development of a transition plan (the "**Transition Plan**") in the first 45 days following completion of the ABN AMRO Offer. The Transition Plan is expected to cover the orderly reorganization of the ABN AMRO group to achieve the separation and allocation of the businesses in line with the Consortium and Shareholders' Agreement.

For the development of the Transition Plan, including the information gathering and verification exercise required for that purpose, a project structure has been agreed to be implemented within ABN AMRO, operating under the authority of the ABN AMRO Managing Board, and remaining distinct from managing day to day service to customers and control. The workstreams comprise relevant functional experts/managers seconded to ABN AMRO group from the Consortium Banks and the relevant ABN AMRO group functional executive/business manager(s).

The ABN AMRO Managing and Supervisory Boards have to adopt the Transition Plan and, subject to their satisfaction, will use it as the basis of formal consultation with relevant stakeholders including regulators, works councils and unions. In particular, relevant approvals will have to be obtained from the DNB for each separation before implementation. The Consortium Banks have agreed that the shareholders of ABN AMRO should also approve of the Transition Plan.

The Consortium and Shareholders' Agreement recognizes that the actual implementation of the Transition Plan will be dependent, among other things, on the elimination of minority shareholders in ABN AMRO.

RFS Holdings

Under the terms of the Consortium and Shareholders' Agreement, each of Fortis, RBS and Santander, as shareholder in RFS Holdings, will effectively bear the costs and liabilities (historic and future) relating to the ABN AMRO assets it will ultimately acquire and indemnities among Fortis, RBS and Santander reflect this position.

Businesses, assets and liabilities that are not to be acquired by any of Fortis, RBS or Santander individually will be disposed of over a period of time. The terms of the Consortium and Shareholders' Agreement aim for disposal of such assets as soon as possible.

The Agreement contains provisions for determination of issues between Fortis, RBS and Santander on which they cannot agree on in the context of the restructuring. Disputes are first escalated to group chief executive level at each of Fortis, RBS and Santander and, in the absence of agreement, a jointly-appointed independent accountant will determine the issues in dispute. Such dispute-resolution mechanism will apply at RFS Holdings level and will not have any direct effect on the management of the ABN AMRO group.

If, prior to the implementation of the restructuring, it becomes clear that the necessary approvals for the transfer of assets to Fortis, RBS or Santander, as applicable, will not be obtained (such as due to rejection by a financial regulatory authority), the shareholder of RFS Holdings that was the intended acquirer of such assets will be entitled to the distribution of the proceeds of such sale at the level of RFS Holdings.

Allocation of capital on restructuring

The Consortium Banks have agreed that the core Tier 1 capital of ABN AMRO should be allocated between businesses in accordance with the allocation in the accounting records underlying the audited financial statements of ABN AMRO for the year ended December 31, 2006. However, if that allocation results in the businesses to be acquired by any of Fortis, RBS or Santander having a ratio of core Tier 1 capital to risk weighted assets of less than 4.95 per cent, the other shareholders of RFS Holdings are obliged to take all appropriate steps to ensure the contribution (in proportion to their allocation of capital) of sufficient core Tier 1 capital to the affected shareholder's acquired businesses to increase the ratio (to the extent that certain other intra-ABN AMRO measures do not achieve the same result). The contributing shareholders are entitled to a return on the core Tier 1 capital they contribute to the affected shareholder's acquired businesses. The return will be determined by reference to the return on the underlying investments in which the contributed capital is invested.

Intra-group arrangements

All shared services have been agreed to continue upon the acquisition of ABN AMRO on the same terms as applied by ABN AMRO as at December 31, 2006. The same principles applies as of separation and allocation of the respective businesses, unless Fortis, RBS and Santander agree otherwise.

Provision of further capital

If a regulator requires contribution of capital or liquidity in a particular ABN AMRO entity, such request shall be addressed in the first instance by ABN AMRO, contributing the required capital or liquidity from within its own resources. In the event that the ABN AMRO contribution is not sufficient to meet the regulator's demands, additional capital or liquidity shall be provided by RBS.

Contributions of capital or liquidity are shared among the Consortium Banks as follows:

- the intended owner of the relevant business giving rise to the capital call will be liable to the other shareholders in RFS Holdings for meeting such a call (by providing further funding or otherwise).
- if a capital requirement is imposed in relation to assets that are not to be acquired by any shareholder of RFS Holdings, the Consortium Banks will be liable to each other in proportion to their shareholdings.
- in the event that the FSA increases the capital requirements of RBS and that obligation arises in relation to one of the ABN AMRO businesses to be acquired by Fortis or Santander, the Consortium Banks will agree in good faith and acting reasonably how to satisfy the imposed requirements or otherwise alleviate the issue.

Information technology and operations

There will be a specially constituted Transition Steering Committee (established by the ABN AMRO Managing Board) tasked with overseeing and making proposals on information technology and operational matters, including the separation of all information technology and operations assets used by or relating to businesses owned by more than one of Fortis, RBS and Santander.

Intra-group debt

The Consortium and Shareholders' Agreement provides that the Consortium Banks will seek to avoid a repayment of intra-group debt when assets are transferred to Fortis, RBS and Santander. Accordingly, unless otherwise agreed, such debt is intended to continue to maturity according to its terms.

Regulatory compliance

Fortis, RBS and Santander have each undertaken to co-operate fully to ensure that ABN AMRO continues to meet its regulatory obligations following completion of the ABN AMRO Offer. However, the Consortium and Shareholders' Agreement provides that RBS will take the lead in ensuring such compliance.

Provision of information

RFS Holdings is required to provide appropriate information to its shareholders, subject to both competition law and regulatory requirements and the duties of the Managing Board of ABN AMRO and unless this would cause any interruption in the business of the ABN AMRO group.

Termination and conditionality

The Consortium and Shareholders' Agreement terminates if Fortis, RBS and Santander unanimously agree such a termination.

Transfer of shares

Transfers of shareholdings in RFS Holdings to third parties are restricted although intra-group transfers are permitted subject to Fortis, RBS and Santander retaining full responsibility for their contractual obligations.

Governing law/arbitration

The Consortium and Shareholders' Agreement is governed by English law. Subject to the expert determination provisions referred to above, disputes will be resolved by arbitration in Paris under the rules of the International Chamber of Commerce.

Implementation

The Consortium Banks and RFS Holdings have agreed to act in a manner consistent with the Consortium and Shareholders' Agreement, as amended from time to time, and to take all such action, exercising all legally available rights and powers (as shareholders in RFS Holdings or, in the case of RFS Holdings, as a shareholder in ABN AMRO), as is reasonable in order to implement the terms of the Consortium and Shareholders' Agreement and/or any transaction, matter or thing contemplated by it.

The approach as adopted by the Consortium Banks to the governance and management of the ABN AMRO group as set out in the Consortium and Shareholders' Agreement has been discussed with DNB. The Consortium Banks have undertaken to discuss and agree any potential change to such approach with DNB before implementing it.

Financial Information relating to the acquisition of the ABN AMRO Businesses

Narrative description of the illustrative financial impact

Following the closing of the ABN AMRO Offer, ABN AMRO is now owned by RBS, Fortis and Santander through RFS Holdings, a company that was formed by the Banks and is controlled by RBS. RFS Holdings will be consolidated as a subsidiary by RBS because of its control. The minority interests owned by Fortis and by Santander will be accounted for using the equity method.

Upon the funding of RFS Holdings by the Banks, new shares in the capital of RFS Holdings were issued so that their aggregate shareholdings are equal to their proportionate funding commitments: RBS holds 38.3%, Fortis holds 33.8% and Santander holds 27.9% of the issued shares in the capital of RFS Holdings.

Following the successful completion of the ABN AMRO Offer, an orderly reorganization process has started, such reorganization is expected to result in the following ownership of ABN AMRO Businesses:

- Fortis: Business Unit Netherlands (excluding former Dutch wholesale clients, Interbank and DMC Consumer Finance), Business Unit Private Clients globally (excluding Latin America) and Business Unit Asset Management globally.
- RBS: Business Unit North America excluding LaSalle, Business Unit Global Clients and wholesale clients in The Netherlands (including former Dutch wholesale clients) and Latin America (excluding Brazil), Business Unit Asia (excluding Saudi Hollandi) and Business Unit Europe (excluding Antonveneta).
- Santander: Business Unit Latin America (excluding wholesale clients outside Brazil), Antonveneta, Interbank and DMC Consumer Finance.
- Shared assets: Head Office and central functions, private equity portfolio, stakes in Capitalia and Saudi Hollandi and Prime Bank.

To the extent considered appropriate by the Banks, as an interim step towards the separation of the ABN AMRO Businesses, ABN AMRO will be reorganized into three units containing the Businesses that will ultimately be transferred to the respective Banks. A fourth unit will contain all assets and liabilities, which are regarded as non-strategic. Fortis and RBS will work together to separate The Netherlands retail and commercial banking operations from the global wholesale banking operations. The former will be transferred to Fortis while the latter will be owned by RBS. As soon as reasonably practicable, certain ABN AMRO Businesses, which can readily be separated, will be legally transferred to the respective Banks.

In order to secure the approval of the European competition authorities in respect of the ABN AMRO Offer, Fortis had proposed to make the Divestment as described further in the Cautionary Statement at the beginning of this section above. On October 3, 2007 the European Commission accepted Fortis to implement the Divestment and has granted Fortis the necessary approval for the acquisition of the ABN AMRO Businesses. However, the Divestment is not taken into account in the illustrative financial impact.

Illustrative financial impact on the Fortis consolidated balance sheet and income statement

Fortis prepares its consolidated financial statements in accordance with IFRS as adopted by the European Union, including International Accounting Standards and Interpretations. ABN AMRO prepares its consolidated financial statements also in accordance with IFRS, as adopted by the European Union.

Based on an analysis of the accounting policies as described in each of the consolidated financial statements, Fortis believes that the number of differences in the accounting policies adopted by Fortis and ABN AMRO is limited. The differences mainly consist of differences in early adoption of certain International Financial Reporting Standards, in measuring investment property (at cost by Fortis versus at fair value by ABN AMRO) and in accounting for joint ventures (equity method by Fortis versus proportional method by ABN AMRO). Fortis is not able to determine at this moment due to limited publicly available information whether other differences in the accounting policies may be noted after the completion of the ABN AMRO Offer. Therefore at this moment, it is not possible, to quantify the adjustments related to apparent and potential differences in the accounting policies, parameters and application principles as applied by Fortis and by ABN AMRO. Neither is it possible to identify adjustments related to differences in presentation of the financial information.

The illustrative financial information set out below is unaudited and has been prepared based on publicly available information regarding the ABN AMRO Businesses. This information has been derived from the ABN AMRO consolidated financial statements and related notes thereto for the year ended December 31, 2006 and from the interim financial information and related explanatory notes thereto for the six months ended June 30, 2007, which are available on the ABN AMRO website: www.abnamro.nl. ABN AMRO has not published interim financial statements for the nine months ended September 30, 2007.

In accordance with IAS 28 "Investments in Associates", the shareholding of Fortis in RFS Holdings is considered as an investment by Fortis in an associate, representing an entity over which Fortis has significant influence. The investment in RFS Holdings will be accounted for by Fortis using the equity method in accordance with the accounting policies applied by Fortis. Under the equity method, the investment in RFS Holdings is initially recognized at cost and the carrying amount is increased or decreased to recognize Fortis' share of the profit or loss of RFS Holdings after the date of acquisition. After the completion of the transfer of the ABN AMRO businesses from RFS Holdings to Fortis the ABN AMRO businesses will be fully consolidated by Fortis.

IFRS 3 Business Combinations requires all business combinations to be accounted for using the purchase method (no matter whether accounted for based on the equity method or fully consolidated). On acquisition of the ABN AMRO businesses, Fortis will execute a comprehensive assessment of the assets, liabilities and contingent liabilities acquired to identify the related fair values.

Goodwill relating to the ABN AMRO Businesses acquired (being the difference between the acquisition cost and the net fair value of the identifiable assets, liabilities and contingent liabilities of these Businesses and identified in accordance with IFRS 3) will be included in the carrying amount of the ABN AMRO Businesses.

In the ABN AMRO consolidated financial statements and related notes for the year ended December 31, 2006, it is reported that the net unrecognized liability for defined benefit obligations amounts to EUR 616 million. An adjustment will be required to reflect the recognition of the present value of ABN AMRO's net post-retirement employee benefit liabilities. The amount of the adjustment will have to be identified during the assessment.

Based on information as reported in the ABN AMRO consolidated financial statements and related notes for the year ended December 31, 2006, it can be determined for indicative purposes that the difference between the fair value and the carrying amount of financial assets measured at cost was EUR 3,368 million. The difference between the carrying amount and the fair value of financial liabilities measured at cost was EUR 911 million.

The illustrative financial information represents the significant effects directly associated with the investment in and funding of RFS Holdings, related to the ABN AMRO Offer, on the assets and liabilities of Fortis as at, and on the earnings of Fortis for the year ended December 31, 2006 and for the half year ended June 30, 2007. Potential synergies and integration and restructuring costs as well as purchase accounting adjustments are not included in the illustrative financial information. Only costs which are expected to be directly incurred by the ABN AMRO Offer described above are included in the illustrative financial information.

The illustrative financial information is prepared for illustrative purposes only and because of its nature, the illustrative financial information addresses a hypothetical situation and, therefore, does not represent Fortis' actual financial position or results, nor does it project results of operations for any future period.

Impact on the consolidated balance sheet of Fortis

Fortis' part of the offer consideration is based on a fully diluted number of ABN AMRO Shares at December 31, 2006 and taking into account that the ABN AMRO employee share options will be exercised as part of the acquisition at a weighted average strike price of EUR 19.35 per share.

The offer consideration includes the assumed conversion to ABN AMRO Shares of the ABN AMRO outstanding Convertible Finance Preference Shares of EUR 767 million and the purchase of the Formerly Convertible Preference Shares for cash at EUR 27.65 per share, the closing price on April 20, 2007, for an aggregate consideration of EUR 1.2 million.

Fortis financed part of the consideration (amounting to EUR 13 billion) to be paid by RFS Holdings in the ABN AMRO Offer by means of the proceeds of the Rights Offer completed on October 11, 2007. Transaction costs related to this share capital increase will be accounted for as a deduction from equity, net of any related income tax benefit.

Fortis intends to finance the additional acquisition cost of EUR 11,755 billion (on a fully diluted basis of ABN AMRO shares at December 31, 2006) by means of the following sources (as detailed below):

- EUR 2 billion from the issue on July 11, of 2007 of Conditional Capital Exchangeable Notes exchangeable into Mandatory Convertible Securities;

- EUR 9,755 billion from the proceeds of a combination of (1) the issue of other tier 1 Capital instruments (including the proceeds of this Offering); (2) the sale of specific non-core assets; and (3) securitisation and other similar transactions.

Based on the information above the impact on the balance sheet of Fortis on December 31, 2006 would be as follows if assumed that Fortis would have acquired the ABN AMRO businesses at January 1, 2006:

- The initial valuation of the ABN AMRO share to be acquired by Fortis will amount to EUR 24,755 million (on a fully diluted basis of ABN AMRO shares at December 31, 2006). This would lead to an increase in the balance sheet of the Investments in associates and joint ventures with EUR 24,755 million to EUR 227,189 million.

- As the acquisition will be financed in part through the issue of Fortis Shares, Shareholders' equity would have increased by EUR 13 billion from EUR 20,644 million to EUR 33,644 million.

- The additional funding of EUR 11,755 billion will lead to an increase in the Subordinated liabilities of EUR 5 billion from EUR 15,375 million to EUR 20,375 million and a decrease in Accrued interest and other assets of EUR 6,755 million from EUR 61,858 million to EUR 55,103 million.

- As a result of the adjustments above Total liabilities would have increased by EUR 5 billion from EUR 753,678 million to EUR 758,678 million whereas Total assets would have increased by EUR 18 billion from EUR 775,229 million to EUR 793,229 million.

Illustrative financial impact on the Fortis consolidated income statement for the year ended December 31, 2006

Following is the income statement for the businesses of ABN AMRO to be acquired by Fortis (including former Dutch wholesale clients, Interbank, DMC Consumer Finance and the part of Latin America relating to Private Clients) for the year ended December 31, 2006 as reported in the ABN AMRO Consolidated Financial Statements and related notes thereto for the year ended December 31, 2006 (in EUR million). As this income statement is as reported by ABN AMRO, it does not take into account the estimates made by Fortis for the purpose of the information included in the "*— Business rationale of the ABN AMRO Acquisition*" and "*— Overview of the integration process*" sections of the Prospectus.

	BU Netherlands	Private Clients	Asset Management	Total
Net interest income, of which:	3,078	544	(15)	3,607
External	2,574	(959)	9	1,624
Other segments	504	1,503	(24)	1,983
Net fee and commission income, of which:	751	700	717	2,168
External	711	671	704	2,086
Other segments	40	29	13	82
Net trading income	486	64	(4)	546
Result from financial transactions	28	4	40	72
Share of result in equity accounted investments	51	2	1	54
Other operating income	246	75	89	410
Income consolidated private equity holdings	—	—	—	—
Total operating income	**4,640**	**1,389**	**828**	**6,857**
Total operating expenses	**3,118**	**956**	**528**	**4,602**
Loan impairment and credit risk provision	359	40	—	399
Operating profit before taxes	1,163	393	300	1,856
Income tax expense	319	121	65	505
Profit from continuing operations	844	272	235	1,351
Profit from discontinued operations, net of tax	505	—	—	505
Profit for the year	**1,349**	**272**	**235**	**1,856**

Impact on the Fortis consolidated income statement for 2006

The consolidated income statement of Fortis for 2006 as presented in the Fortis consolidated financial statements 2006 included a Net profit attributable to shareholders of EUR 4,351 million. Based on the information given above the impact on the income statement of Fortis on December 31, 2006 would be as follows if it is assumed that Fortis would have acquired the ABN AMRO businesses BU Netherlands (including former Dutch wholesale clients, Interbank and DMC Consumer Finance), Private Clients and Asset Management) at January 1, 2006:

- Share in result of associates and joint ventures would increase by EUR 1,351 million (the profit from continuing operations) from EUR 198 million to EUR 1,549 million.
- Interest expense would increase by approximately EUR 345 million from EUR 65,121 million to EUR 65,466 million as a result of the estimated funding cost related to the issue of the Conditional Capital Exchangeable Notes and other debt securities to be issued (this amount will be impacted by the timing and amount of other tier 1 Capital instruments to be issued, non-core assets sold, securitisations and other similar transactions to be executed).
- Income tax expense would decrease by EUR 51 million from EUR 1,030 million to EUR 979 million due to the tax impact of the funding cost.
- Non-recurring items are considered to be limited to the reported discontinued operations by ABN AMRO.
- The income related to businesses, assets and liabilities acquired by the Consortium Banks but not transferred to any of the Banks (shared assets) is considered as non-recurrent and not taken into account in the illustrative impact on the income statement.
- The impact of amortisation of fair value adjustments related to financial and non-financial assets and liabilities and the amortisation of new identified intangible assets with finite useful lives, are not taken into account in the illustrative impact on the income statement due to the limited publicly available information by segment. The amortisation of the ABN AMRO intangible assets with finite useful lives (EUR 555 million for the year ended December 31, 2006) was not reversed in the illustrative impact on the income statement due to the limited publicly available information by segment.
- As a result of the above mentioned impact on the income statement, Net profit attributable to shareholders would increase by EUR 1,057 million from EUR 4,351 million to EUR 5,408 million as

a result of the net impact of the increase in Share in result of associates and joint ventures, the increase in Interest expense and the decrease in Income tax expense.

Illustrative financial impact on the Fortis consolidated income statement for the half year ended June 30, 2007

Following is the income statement for the businesses of ABN AMRO to be acquired by Fortis (including former Dutch wholesale clients, Interbank, DMC Consumer Finance and the part of Latin America relating to Private Clients) for the six months ended June 30, 2007 as reported in the ABN AMRO consolidated interim financial statements of June 30, 2007 and related notes thereto for six months ended June 30, 2007 (in EUR million). As this income statement is as reported by ABN AMRO, it does not take into account the estimates made by Fortis for the purpose of the information included in "— *Business Rationale of the ABN AMRO Acquisition*" and "— *Overview of the Integration Process*" sections above.

	BU Netherlands	Private Clients	Asset Management	Total
Net interest income	1,730	242	(7)	1,965
Net fee and commission income	499	343	460	1,302
Net trading income	360	37	1	398
Result from financial transactions	11	4	22	37
Share of result in equity accounted investments	23	—	4	27
Other operating income	78	115	5	198
Total operating income	**2,701**	**741**	**485**	**3,927**
Total operating expenses	**1,773**	**457**	**316**	**2,546**
Loan impairment and credit risk provision	206	(3)	—	203
Operating profit before taxes	722	287	169	1,178
Income tax expense	154	61	43	258
Profit from continuing operations	568	226	126	920
Profit from discontinued operations, net of tax	2	—	—	2
Profit for the period	**570**	**226**	**126**	**922**

Impact on the Fortis consolidated income statement for the half year ended June 30, 2007

The consolidated income statement of Fortis for the half year ended June 30, 2007 as presented in the Fortis consolidated interim financial statements for the half year ended June 30, 2007 included a Net profit attributable to shareholders of EUR 2,782 million. Based on the information given above the impact on the income statement of Fortis on June 30, 2007 would be as follows if it is assumed that Fortis would have acquired the ABN AMRO Businesses at January 1, 2006:

- Share in result of associates and joint ventures would increase by EUR 920 million (being the profit from continuing operations) from EUR 81 million to EUR 1,001 million.
- Interest expense would increase by approximately EUR 172 million from EUR 39,636 million to EUR 39,808 million as a result of the estimated additional funding cost related to the transaction (this amount will be impacted by the timing and amount of other tier 1 Capital instruments to be issued, non-core assets sold, securitisations and other similar transactions to be executed).
- Income tax expense would decrease by EUR 47 million from EUR 414 million to EUR 367 million due to the tax impact of the estimated funding cost.
- Non-recurring items are considered to be limited to the reported discontinued operations by ABN AMRO.
- Income related to businesses, assets and liabilities that are acquired by the Consortium Banks but not transferred to any of the Banks (shared assets) is considered as non-recurrent and not taken into account in the illustrative impact on the income statement.
- The impact of amortisation of fair value adjustments related to financial and non-financial assets and liabilities and the amortisation of new identified intangibles assets with finite useful lives are not taken into account in the illustrative impact on the income statement due to the limited publicly available information by segment. The amortisation of the ABN AMRO intangible assets with finite

useful lives, was not reversed in the illustrative impact on the income statement due to the limited publicly available information by segment.

- As a result of the above mentioned impact on the income statement, Net profit attributable to shareholders would increase by EUR 795 million from EUR 2,782 million to EUR 3,577 million as a result of the net impact of the increase in Share in result of associates and joint ventures, the increase in Interest expense and the decrease in Income tax expense.

Unaudited comparative historical and illustrative earnings per Fortis Share data

The table below presents illustrative combined earnings per Fortis share compared to the corresponding values contained in the 2006 Consolidated Financial Statements and in the Fortis consolidated interim financial statements for the first half year of 2007 and is based on the following:

- The weighted average number of Fortis Shares outstanding during the year ended December 31, 2006 and during the half year ended June 30, 2007 for the illustrative combined earnings per Fortis share calculation, is based on the estimated equivalent-weighted average number of Fortis Shares following the Rights Offer.
- For illustrative purposes, the illustrative combined earnings per Fortis Share are calculated as if the issue of new Fortis Shares had occurred on January 1, 2006 for the year ended December 31, 2006 and on January 1, 2007 for the half year ended June 30, 2007. Under the terms of the Rights Offer, Fortis issued new Fortis Shares, increasing the weighted-average number of Fortis Shares in issue by a maximum of 1.076 million Fortis Shares. The Extraordinary General Meetings of Shareholders granted on August 6, 2007 authorization for this issue to the Board of Directors, in the context of a public offer on, and the acquisition of certain businesses of, ABN AMRO.

Unaudited comparative historical and illustrative earnings per Fortis Share data for the year ended December 31, 2006 (in EUR million, except share data).

	Fortis	Maximum New Fortis Shares Issued	Illustrative Enlarged Fortis
Net profit attributable to shareholders	4,351		5,408
Elimination of interest expense on convertible debt (net of tax impact)	81		81
Net profit used to determine diluted earnings per share	4,432		5,489
Weighted average number of ordinary shares for basic earnings per share	1,289,188,491	1,076,000,000	2,365,188,491
Adjustments for shares that may be issued in the future (on a diluted basis):			
— assumed conversion of convertible debt	39,684,066		39,684,066
— share options	3,981,100		3,981,100
— restricted shares	759,778		759,778
Weighted average number of ordinary shares for diluted earnings per share	1,333,613,435	1,076,000,000	2,409,613,435
Basic earnings per share (in Euro per share)	3.38		2.29
Diluted earnings per share (in Euro per share)	3.32		2.28

Unaudited comparative historical and illustrative earnings per Fortis Share data for the half year ended June 30, 2007 (in EUR million, except share data)

	Fortis	Maximum New Fortis Shares Issued	Illustrative Enlarged Fortis
Net profit attributable to shareholders	2,782		3,577
Elimination of interest expense on convertible debt (net of tax impact)	42		42
Net profit used to determine diluted earnings per share	2,824		3,619
Weighted average number of ordinary shares for basic earnings per share	1,293,293,732	1,076,000,000	2,369,293,732
Adjustments for shares that may be issued in the future (on a diluted basis):			
— assumed conversion of convertible debt	39,684,966		39,684,066
— share options	5,690,954		5,690,954
— restricted shares	979,790		979,790
Weighted average number of ordinary shares for diluted earnings per share	1,339,648,542	1,076,000,000	2,415,648,542
Basic earnings per share (in Euro per share)	2.15		1.51
Diluted earnings per share (in Euro per share)	2.11		1.50

FORTIS BANK AND FORTIS BANK GROUP

Overview

Fortis Bank Group is part of Fortis, which ranks among the 20 largest financial institutions in Europe and is an international provider of banking products and services to personal, business and institutional customers. Fortis Bank Group delivers a comprehensive package of financial products and services through its own distribution channels and via intermediaries and other partners.

Fortis Bank Group is one of the 20 largest banks in Europe based on assets as of December 31, 2006. Fortis Bank Group offers a wide range of retail banking, commercial banking, corporate banking, private banking, investment banking and asset management services in the Benelux countries. Fortis Bank Group offers a more selective range of financial products in other European countries and in certain Asia/Pacific and African countries as well as in the United States.

Fortis Bank Group's home market is the Benelux, one of Europe's wealthiest regions, where it occupies a leading position in each of its principal business segments. Fortis Bank Group's retail banking operations are a market leader in the Benelux region and, building on that leadership, Fortis Bank Group has developed an integrated, European-wide network to serve its international client base. It uses the same expertise it has developed in its home market to provide high net worth individuals, enterprises and entrepreneurs with advanced financial services tailored to their specific needs.

Fortis Bank Group also operates successfully worldwide in selected activities, such as fund administration, trade finance, shipping finance, export and project finance and global markets.

As of January 1, 2007 Fortis reorganized its banking business, integrating its three banking business lines into two business units; Retail Banking and Merchant & Private Banking (which combined the Merchant Banking and Commercial & Private Banking business lines into a single business unit).

As a result of these organizational changes (effective as of January 1, 2007) Fortis Bank Group is principally organized along the following business lines:

- ***Retail Banking:*** provides financial services to individuals, professionals and small businesses.
- ***Merchant & Private Banking:*** offers tailored financial products and skill-oriented services to large international companies and institutions, Europe-oriented medium-sized enterprises and entrepreneurs, and private banking clients.

Fortis Bank Group's third-party asset management activities are part of Fortis Bank's Retail Banking business. Fortis Bank Group believes its Benelux asset management operations are number two in the Benelux based on assets under management at December 31, 2006.

Fortis Bank's principal office is located at Montagne du Parc 3, 1000 Brussels, Belgium, and its telephone number is +322 565 1111.

For a detailed description of Fortis Bank's business see "*Business — Segment Reporting — Retail Banking" and "—Segment Reporting — Merchant and Private Banking*".

CAPITALIZATION OF FORTIS GROUP

The following table sets forth as of September 30, 2007 the actual capitalization of Fortis Group and as adjusted to give effect to certain financing transactions incurred in connection with the ABN AMRO Acquisition, including the CASHES offered hereby. This table should be read in conjunction with the unaudited consolidated financial statements of Fortis at September 30, 2007 prepared in accordance with IFRS.

	At September 30, 2007	
	Actual	**As Adjusted**
	(EUR million) (unaudited)	
Debt Certificates(1)(2)	110,741	110,741
Subordinated liabilities(3)(4)(5)	17,335	19,735
Total Debt Issues	128,076	130,476
Share Capital(6)	6,326	6,746
Share Premium Reserve(6)	11,854	24,434
Other reserves and components of shareholder's equity(5)	2,125	2,725
Total shareholder's equity	20,305	33,905
Minority interest	917	917
Total Capitalization	149,298	165,298

(1) Also includes amounts which will mature within 12 months.

(2) All of the debt certificates are unsecured, except for the mandatorily exchangeable bond with a nominal amount USD 774 million issued in January 2005 on the remaining shares of Assurant, Inc. owned by Fortis. None of the debt certificates are guaranteed by third parties.

(3) Total debt issues do not include indirect and contingent liabilities.

(4) Includes the liability component of the CASHES offered hereby (see footnote 5). All the subordinated liabilities are unsecured, except for the FRESH capital securities, with a nominal amount of EUR 1,250 million issued in May 2002, and the CASHES. None of the liabilities certificates are guaranteed by third parties.

(5) Under IFRS the CASHES offering needs to be split in a liability component and an equity component. The amounts referring to the CASHES reflected in the As adjusted column are preliminary estimates and therefore only indicative.

(6) Share Capital and Share Premium Reserve have been adjusted to give effect to the Fortis Group's recently completed Rights Offering of approximately €13 billion (after deductions for commissions and expenses paid).

The following table shows the components of the outstanding debt certificates at September 30, 2007:

Current Debt Certificates (Including Current Position of Long-Term Debt)	**As at September 30, 2007**
	(unaudited) (EUR million)
Short-term debt certificates (commercial paper)	51,651
Bons de caisse/Kasbons (short-term)	7
Debt certificates held at fair value through net income	2,665
Total current debt certificates	**54,323**

Non-Current Debt Certificates (Excluding Current Position of Long-Term Debt)	As at September 30, 2007 (unaudited) (EUR million)
Long-term debt certificates	16,491
Medium-term debt certificates	23,764
Bons de caisse/Kasbons (long-term)	5,137
Bons de caisse/Kasbons (medium-term)	392
Debt certificates held at fair value through net income	10,633
Total non-current debt certificates	**56,418**
Total debt certificates	**110,741**

Except as disclosed in the As adjusted column above, there has been no material change in the capitalization of Fortis since September 30, 2007.

For additional information regarding the financing transactions relating to the ABN AMRO Acquisition see "*Summary — Recent Developments — ABN AMRO Acquisition*" and "*Information About the Acquisition of ABN AMRO — ABN AMRO Offer*".

SELECTED FINANCIAL AND STATISTICAL DATA OF FORTIS GROUP

The financial information for the years ended and as of December 31, 2006, 2005 and 2004 set forth below is derived from Fortis's Consolidated Financial Statements for the years then ended which are incorporated by reference herein. These Consolidated Financial Statements have been jointly audited by PricewaterhouseCoopers Reviseurs d'Entreprises SCCRL and KPMG Accountants N.V., independent public accountants for Fortis N.V. and Fortis SA/NV, respectively.

The historical data set out below are only a summary. You should read it in conjunction with the Consolidated Financial Statements for the years ended December 31, 2006, 2005 and 2004 incorporated by reference herein and "*Operating and Financial Review and Prospects*" included elsewhere in this Prospectus.

The summary consolidated financial data for the nine month period ended September 30, 2007 and 2006 and as at September 30, 2007 have been derived from the unaudited interim consolidated financial statements for the nine months ended September 30, 2007, and have been reviewed by PricewaterhouseCoopers Reviseurs d'Entreprises SCCRL and KPMG Accountants N.V., independent public accountants for Fortis N.V. and Fortis SA/NV, respectively. In the opinion of management, the unaudited interim consolidated financial statements include all adjustments consisting of all normal recurring adjustments necessary for a fair statement of results for the unaudited interim periods. The interim financial results are not necessarily indicative of results for the full year 2007.

IFRS differ in certain significant respects from accounting principles generally accepted in the U.S. GAAP. Fortis has made no attempt to quantify the impact of those differences. In making an investment decision, investors must rely upon their own examination of Fortis, the terms of the Offering and the financial information presented and incorporated herein by reference. Potential investors should consult their own professional advisors for an understanding of the differences between IFRS and U.S. GAAP and how those differences might affect the information herein.[19]

[19] The consolidated financial information included in the Consolidated Financial Statements for the year ended December 31, 2004 was drawn up in accordance with the applicable legal and regulatory requirements in Belgium. The consolidated financial information included in the Consolidated Financial Statements for the years ended December 31, 2006 and 2005 was prepared in accordance with IFRS - including International Accounting Standards and Interpretations — as adopted by the European Union. In order to facilitate comparison, Fortis has restated the 2004 consolidated financial statements in accordance with IFRS in the Consolidated Financial Statements for the year ended December 31, 2005 and has provided further information in the Consolidated Financial Statements for the year ended December 31, 2005 regarding the impact of the transition to IFRS under section 3 "Impact of IFRS on the balance sheet, shareholders equity and the income statement of Fortis".

Consolidated income statement

	Nine Month Period Ended September 30, 2007	2006	Year Ended December 31, 2006	2005	2004
	(unaudited)		(EUR million)		
Income					
Interest income	68,953	53,027	72,583	66,845	54,223
Insurance premiums	11,368	9,480	13,984	12,919	11,576
Dividend and other investment income	824	771	996	918	845
Share in result of associates and joint ventures	121	113	198	157	204
Realized capital gains (losses) on investments	1,318	846	1,137	1,642	1,580
Other realized and unrealized gains and losses	1,099	1,059	1,362	878	(940)
Fee and commission income	3,153	2,795	3,734	3,124	2,733
Income related to investments for unit-linked contracts	1,004	1,036	1,929	3,224	1,129
Other income	609	488	679	712	577
Total income	88,449	69,615	96,602	90,419	71,927
Expenses					
Interest expense	(63,320)	(47,510)	(65,121)	(60,227)	(47,966)
Insurance claims and benefits	(10,712)	(8,701)	(13,151)	(11,788)	(10,721)
Charges related to unit-linked contracts	(1,479)	(1,376)	(2,374)	(3,709)	(1,092)
Changes in impairments	(261)	(99)	(194)	(235)	(380)
Fee and commission expense	(1,694)	(1,460)	(1,922)	(1,615)	(1,516)
Depreciation and amortization of tangible and intangible assets	(450)	(419)	(576)	(548)	(469)
Staff expenses	(3,640)	(3,290)	(4,485)	(4,291)	(3,778)
Other expenses	(2,722)	(2,303)	(3,336)	(2,856)	(3,116)
Total expenses	(84,277)	(65,158)	(91,159)	(85,269)	(69,038)
Profit before taxation	4,172	4,457	5,443	5,150	2,889
Income tax expense	(582)	(852)	(1,030)	(1,164)	(510)
Net profit for the period	3,590	3,605	4,413	3,986	2,379
Net gain (loss) on discontinued operations	56	46	—	—	—
Net profit attributable to minority interests	67	49	62	45	26
Net profit attributable to shareholders	3,580	3,602	4,351	3,941	2,353

Consolidated balance sheet (before appropriation of profit)

	At September 30,	At December 31,		
	2007	2006	2005	2004
	(unaudited)			
	(EUR million)			
Assets				
Cash and cash equivalents	17,378	20,413	21,822	25,020
Assets held for trading	87,357	70,215	62,705	60,320
Due from banks	115,078	90,131	81,002	64,197
Due from customers	323,883	286,459	280,759	227,834
Investments				
Held to maturity	4,429	4,505	4,670	4,721
Available for sale	169,298	186,428	179,020	153,543
Held at fair value through profit or loss	6,270	6,600	5,127	3,391
Investment property	3,603	3,047	2,546	2,304
Associates and joint ventures	2,966	1,854	1,706	2,209
	186,566	202,434	193,069	166,168
Investments related to unit-linked contracts	31,074	28,749	25,667	16,853
Reinsurance and other receivables	11,517	9,187	9,557	6,545
Property, plant and equipment	3,953	3,522	3,197	3,133
Goodwill and other intangible assets	3,214	2,261	1,922	672
Accrued interest and other assets	95,745	61,858	49,294	43,343
Total assets	875,766	775,229	728,994	614,085
Liabilities				
Liabilities held for trading	99,735	64,308	50,562	51,483
Due to banks	183,056	177,481	175,183	121,037
Due to customers	265,193	259,258	259,064	224,583
Liabilities arising from insurance and investment contracts	64,264	59,764	56,109	48,940
Liabilities related to unit-linked contracts	31,381	29,156	26,151	17,033
Debt certificates	110,741	90,686	77,266	71,777
Subordinated liabilities	17,335	15,375	13,757	13,345
Other borrowings	4,110	2,149	1,699	2,861
Provisions	769	817	907	852
Current and deferred tax liabilities	2,808	2,733	3,629	3,464
Accrued interest and other liabilities	75,152	51,951	45,011	43,033
Total liabilities	854,544	753,678	709,338	598,408
Shareholders' equity	20,306	20,644	18,929	15,337
Minority interests	917	907	727	340
Total equity	21,223	21,551	19,656	15,677
Total liabilities and equity	875,766	775,229	728,994	614,085

	At September 30,	At December 31,		
	2007	2006	2005	2004
		(unaudited)		
Statistical data				
Group ratios				
Return on total equity[(1)]	21.5%	22.0%	20.4%	17.4%
Return on assets[(2)]	0.5%	0.6%	0.5%	0.4%
Average equity to average assets[(7)]	2.4%	2.6%	2.6%	2.3%
Banking data				
Tier 1 ratio	6.8%	7.1%	7.4%	8.3%
Total capital ratio	10.8%	11.1%	10.5%	11.6%
Cost income ratio[(3)]	60.9%	61.2%	62.3%	69.5%
Insurance data				
Embedded Value (EUR million)[(4)]	N.A.	12,307	10,623	9,738
Claims ratio[(5)]	67.0%	61.2%	61.3%	64.1%
Combined ratio[(6)]	99.7%	96.1%	96.0%	99.3%

(1) The net profit for the financial year as a percentage of the average total equity during that period.

(2) The net profit for the financial year as a percentage of the average assets during that period.

(3) Only used for banks. The ratio of Total expenses to Total income where the "Interest expense" and the "Fee and commission expense" are netted in calculating Total income for this ratio.

(4) Embedded Value is an estimate of the economic value of a life company, excluding any value attributed to future new business. The 2005 Embedded value has been restated for comparison purposes. See "*Glossary*" and "*Operating and Financial Review and Prospects — Insurance — European Embedded Value*".

(5) The claims ratio is the cost of claims, net of reinsurance, as a percentage of the net earned premiums, excluding the internal costs of handling non-life claims.

(6) Combined ratio: The sum of the claims ratio and the expense ratio for the non-life insurance business. Expense ratio: Only used for non-life insurance business. Expenses as a percentage of the earned premiums, net of reinsurance. Expenses are the costs plus net commissions charged to the financial year, less internal investment costs.

For a discussion of the important trends affecting Fortis's results of operations, see "*Operating and Financial Review and Prospects — Overview*".

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following review and analysis should be read together with Fortis's Consolidated Financial Statements and the related notes incorporated by reference herein. The Consolidated Financial Statements have been prepared in accordance with IFRS, including International Accounting Standards and Interpretations as adopted by the European Union.

Overview

General Market Conditions

Fortis's results of operations are affected by general economic conditions, including economic cycles, insurance industry cycles particularly with respect to non-life insurance, the financial markets, banking industry cycles and fluctuations in interest rates and exchange rates, monetary policy, demographics, particularly with respect to life insurance, and competitive factors.

Demographic studies suggest that over the next decade there will be continued growth in the number of individuals who enter the age group which management believes is most likely to purchase retirement oriented life insurance products in Fortis's principal life insurance markets of the Benelux. In addition, in a number of European markets, including Belgium and The Netherlands, retirement, medical and other social benefits previously provided by governments have been, or are expected in the coming years to be, further curtailed, which management believes will increase opportunities for private sector providers of life insurance, health, pension and other social benefits-related insurance products. Management believes that Fortis's insurance distribution networks, the quality and diversity of its products and its asset management expertise in many of these markets, particularly in the Benelux, position Fortis to benefit from these demographic developments. Conditions in the non-life insurance markets in which Fortis operates are cyclical, and characterized by periods of price competition, fluctuations in underwriting results and the occurrence of unpredictable weather-related and other losses.

Revenues and net profit from Fortis's banking and insurance operations may vary from year to year depending on fluctuations in interest rates, changes in market conductions and business cycles. Operating results and income from Fortis's investment banking, securities trading and brokerage activities may vary significantly from year to year depending on market conditions. Since 2003 financial markets have recovered significantly and, in particular, equity markets have recovered from their low levels of 2002 and 2003. Also, interest rates began rising at the start of 2005, both in the US and the UK as well as in the Eurozone modestly reducing some of the rate pressure associated with guaranteed and interest spread products. Due to the disruption and severe dislocation in the credit markets which began in the Summer 2007, the US Federal reserve has reduced interest rates by 75 basis points and further interest rate increases in the Eurozone appear to be on hold. However, in the more favourable market conditions which continued into the Summer 2007, the increased value of the Group's free assets significantly improved solvency and realized and unrealized capital gains contributed to the high level of profitability of the Fortis Group in 2005 and 2006. As a result of increasing market volatility and more general concerns about economic strength, particularly in the US, following the credit and liquidity problems which arose during the Summer 2007, equity markets declined, with many returning to levels which reduced or eliminated gains that had been made through the first half of 2007.

Fortis's asset management performance as well as its merchant banking, securities trading and brokerage activities were positively impacted by the favourable market trends of 2005 and 2006 and through the first half of 2007. As the fees earned in these businesses are often based on the value of assets managed, the significant improvement in financial markets contributed to the high level of fees earned during these periods (2006: EUR 1,265 million; 2005: EUR 998 million). Also the favourable market conditions contributed to high levels of revenues earned from securities trading and brokerage activities of EUR 925 million and EUR 705 million in 2006 and 2005, respectively. These trends continued through the first half of 2007 but due to market declines in the third quarter market conditions were less favourable and adversely impacted the net inflows in our asset management business.

Interest Rate Fluctuations

Changes in interest rates, including changes in the yield curve, can affect Fortis's banking and insurance results of operations. Over the past several years, movements in both short and long-term interest rates have affected the level and timing of recognition of gains and losses on securities held in Fortis's investment portfolios. Generally, a sustained period of lower interest rates will reduce the investment yield of the interest-earning assets in the investment portfolios of Fortis's insurance and banking companies over time as higher yielding investments are called or mature and the proceeds of these investments are reinvested at lower rates. However, declining interest rates can lead to higher returns from Fortis's banking operations if interest-earning assets reprice more slowly than interest-bearing liabilities or the volume of average interest-earning assets grows as a result of higher amounts of credit demand. Declining interest rates also typically increase demand for mutual funds and investment-linked insurance products. Conversely, rising interest rates should over time increase investment income but may reduce the market value of existing investments in Fortis's portfolios. This can also lead to higher returns from Fortis's banking operations if the interest rate spread widens, assuming this effect is not offset by lower volumes of average interest-earning assets as a result of lower levels of credit demand or a deterioration in the quality of Fortis's loan portfolio or an increase in provisions for possible credit risk or lower interest income due to slower repricing of interest-earning assets compared to the repricing of interest-earning liabilities. Besides absolute levels of interest rates, income in the banking activities can be influenced by the steepness of the yield curve. In the case that the duration of interest earning assets is longer than the duration of interest-earning liabilities, a steeper yield curve would normally generate higher income in the banking operations. During periods of rapidly increasing interest rates, policy loans, surrenders and withdrawals may increase and usually do increase. Premiums in flexible premium policies may decrease as policyholders seek investments with higher perceived returns. This activity may result in cash payments by Fortis requiring that it sell invested assets at a time when the prices of those assets are adversely affected by the increase in market interest rates, which may result in realized investment losses. These cash payments to policyholders result in a decrease in total invested assets and a decrease in net income. Among other things, early withdrawals may also cause Fortis to accelerate amortization of policy acquisition costs, reducing net income.

In the United States interest rates began to rise during the course of 2004 and, through March 31, 2007, the Federal Reserve had increased the Federal Funds rate from 1% to 5.25% in 17 separate 25 basis point increases. As a result of the dislocations in the credit market and severe liquidity issues which arose in August 2007 and continued through October 2007 the Federal Reserve reduced interest rates twice, initially by 50 basis points on September 18, 2007 and by an additional 25 basis points on October 31, 2007, reducing the Federal Funds rate to 4.50%. In Europe, the ECB has been raising interest rates since December 2005 from 2% to 3.75% in 7 separate 25 basis points increases.

The impact of interest rate fluctuations on Fortis's life insurance business is reduced in part by product design which operates to transfer partly or entirely from Fortis to the policyholder the exposure to interest rate movements. Examples of such products include investment-linked individual policies, and segregated fund pension plans in group business. At December 31, 2006, 35% (2005: 34%) of Fortis's liabilities to policyholders for life products related to insurance policies where gains or losses arising from interest rate fluctuations are entirely for the risk of policyholders. In addition, in many markets Fortis sells profit sharing life insurance policies, where profit sharing may be based either on total profits or excess interest margins to policyholders. In most cases the profit sharing is at the discretion of Fortis. However, due to the uncertainties in the capital markets of the last few years, these products with discretionary participation features have become more popular.

In Europe, Fortis has a substantial historic portfolio of contracts with guaranteed and/or profit sharing investment returns, including returns of 4.75% in Belgium on policies. Although Fortis has lowered its guaranteed rate of return on certain contracts written after December 31, 1998, to 3.25% in Belgium, if interest rates are below 4% for any sustained period, it could cause Fortis to increase the level of reserves required on such guaranteed products. At times these technical rates tend to be matched by assets of similar yield, but often significant asset liability duration mismatch exists and this creates the exposure to low interest rate environments and a need to test the adequacy of provisions under current yield curve assumptions.

The key means of determining adequacy with respect to interest rate risk are:

- IFRS liability adequacy tests (LAT) including loss recognition and shadow adjustments.
- Additional risk reporting to assess economic adequacy in line with market consistent embedded value ("**MCEV**")) or Fortis Fair Value Economic model (ForCap).
- Local regulatory tests.

In Insurance Belgium, interest rate adequacy is supported by a low interest rate reserve ("**LIRR**"). The LIRR itself will decrease over time, in line with a decrease in the portfolio and is still considered to be a significant buffer against low interest rates. A comparison of local provisions and the fair value of liabilities at year end 2006 showed the provisions to be adequate, largely as a result of the interest rate reserve.

In Insurance Netherlands the regulatory test applied locally measures the impact of reinvestment rates below 4%. This test shows the provisions to be adequate on 3% reinvestment (4% for pre-1999 business). In addition, an internal test on the same basis as the regulatory test was performed, but assuming 3.5% reinvestment for the pre-1999 business. In addition, an internal test on the same basis as the regulatory test was performed, but assuming 3.0% reinvestment for the total portfolio including the pre-1999 business. Results based on year-end 2006 data still show positive margins compared to the prescribed regulatory test.

However, the same test also shows that the business is very sensitive to interest rates. This sensitivity is a result of a significant duration mismatch and the business needs to be monitored closely in terms of the potential impact of a continued low interest environment. To this end, information is reported to senior management on a monthly basis to flag any potential issues.

In Insurance International, IFRS liability adequacy tests and low interest rate provisions also evidence that reserves are sufficient in respect of interest rate risk coverage.

Fortis's investment banking, securities trading and brokerage activities are significantly affected by the levels of activity in the securities markets, which in turn may be affected by, among other factors, the level and trend of interest rates. Results of asset management activities may also be affected by interest rates, since management fees are generally based on the value of assets under management, which fluctuates with changes in the level of interest rates. The improved financial markets in 2004, 2005 and 2006 favorably impacted fees earned in our asset management operations.

Exchange Rate Fluctuations

Fortis is an international financial institution doing business in almost all currencies. However, the open positions per currency are strictly monitored and managed through on and off balance sheet transactions and are kept within well-defined limits.

Changes in the Composition of Fortis Impacting Historical Financial Information.

Fortis made a number of significant acquisitions in 2005 and 2006. The major acquisitions in 2006 were the acquisition of Cinergy, a marketing and trading platform for the energy market operating in all key markets in North America (which has been renamed Fortis Energy Marketing and Trading) and 70% of Cadogan, a fund of hedge fund asset management company. The acquisition price for Cinergy was US $451 million and Cadogan was US $157 million. In 2005 Fortis paid EUR 919 million for the acquisition of Dişbank, the seventh largest bank in Turkey, EUR 514 million for a controlling interest of 51% in Milleniumbcp Fortis, a Portuguese insurance company, EUR 79 million for the acquisition of Dryden Wealth Management ("**Dryden**"), a private banking company and EUR 64 million for the acquisition of Atradius, a European factoring company among other acquisitions. In 2004 Fortis made only a few minor acquisitions, such as Centrapriv (a provider of tax, legal and fiduciary services) (EUR 38 million) and Muang Thai, a life insurance company in Thailand (EUR 61 million).

Consistent with Fortis Group's overall strategy, Fortis reduced its stake in Assurant (formerly Fortis, Inc.) ("**Assurant**") which held its US insurance operations through an initial public offering and follow on offering in the United States in 2004 and 2005. In February 2004 Fortis successfully sold through a group of underwriters more than 65% of Assurant. As a result, since February 2004 Fortis has accounted for Assurant using the equity method.

Fortis's stake in Assurant was further reduced as a result of the offering of mandatorily exchangeable bonds in January 2005 and the concurrent secondary offering of Assurant common stock to 15%. Since February 2005 Assurant has been accounted for as an investment at fair value through the profit/loss account. As Assurant has been accounted for in this manner in 2004 and 2005, it had limited impact on Fortis's results in each of the three years under review.

Solvency

Fortis has presented its solvency using the core capital cap/floor model since 1998. Although this model has served its purpose well, it had some limitations that have prompted the introduction of a new model based on "target capital".

The new model (i) provides greater detail and insight into the capitalization at both the Banking and Insurance level, (ii) gives better guidance for future capital management actions, (iii) is in line with market practice; and (iv) is consistent with the regulators' guidelines on capitalization. For additional information on the new "target capital" model see "*— Liquidity and Capital Resources — Group Solvency*".

Critical Accounting

Policies

Fortis's Consolidated Financial Statements for the financial year ended December 31, 2006 (including the 2005 and 2004 comparative figures), are prepared in accordance with IFRS, including the International Accounting Standards and Interpretations at December 31, 2006 and as adopted by the European Union. For IAS 39, Financial Instruments: Recognition and Measurement, this takes into account the exclusion regarding hedge accounting (the so-called "carve-out") decreed by the European Union on November 19, 2004.

Fortis has identified below the accounting policies that are most critical to its business operations and the understanding of its results. In each case, the application of these policies requires management to make complex or subjective decisions or assessments based on information and financial data that may change in future periods, the results of which can have a significant effect on our results of operations. As a result, determinations regarding these items necessarily involve the use of assumptions and judgments as to future events and are subject to change. Different assumptions or judgments could lead to materially different results. See the Notes to the 2006 Consolidated Financial Statements incorporated by reference herein for additional discussion of the application of our accounting policies.

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

Judgments and estimates are principally made in the following areas:

- Estimation of the recoverable amount of impaired assets;
- Determination of fair values of non-quoted financial instruments;
- Determination of the useful life and the residual value of property, plant and equipment, investment property and intangible assets;
- Measurement of liabilities for insurance contracts;
- Actuarial assumptions related to the measurement of pension obligations and assets;
- Estimation of present obligations resulting from past events in the recognition of provisions; and.

The accounting policies of each area are treated in more detail in the next section.

Estimation of the recoverable amount of impaired assets

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

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

Depending on the type of financial asset, the recoverable amount can be estimated as follows:

- The fair value using an observable market price;
- Present value of expected future cash flows discounted at the instrument's original effective interest rate (for financial assets carried at amortized cost); or
- Based on the fair value of the collateral.

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

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

Fortis assesses the carrying value of goodwill annually or more frequently, if events or changes in circumstances indicate that such carrying value may not be recoverable. If such indication exists, the recoverable amount is determined for the cash-generating unit to which goodwill belongs. This amount is then compared to the carrying amount of the cash-generating unit and an impairment loss is recognized if the recoverable amount is less than the carrying amount. Impairment losses are recognized immediately in the income statement.

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

The identification of impaired assets and the assumptions to be used in calculating the recoverable amounts of such assets involves management judgment. Changes in the assumptions concerning amounts and timing of cash flows and concerning the value of the collateral underlying the calculation of the recoverable amounts can have a positive or negative impact on the carrying value of the assets and the amount of change in impairments in the income statement.

Determination of fair values of unquoted financial instruments

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

- If for securities no quoted prices are available from an active market, the fair value is determined using discounted cash flow models. Discount factors are based on the swap curve plus a spread reflecting the risk characteristics of the instrument.

- Fair values for unquoted derivative financial instruments are obtained from discounted cash flow models and option pricing models.

- Fair values for unquoted private equity investments are estimated using applicable market multiples (e.g. price/earnings or price/cash flow ratios) refined to reflect the specific circumstances of the issuer.

- Fair values for loans are determined using discounted cash flow models based upon Fortis's current incremental lending rates for similar type loans. For variable-rate loans that re-price frequently and have no significant change in credit risk, fair values are approximated by the carrying amount. Option pricing models are used for valuing caps and prepayment options embedded in loans that have been separated according to IFRS.

- Off-balance sheet commitments or guarantees are fair valued based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties' credit standings.

- For short-term payables and receivables, the carrying amounts are considered to approximate fair values.

The fair values of unquoted financial instruments are used for measurement in the balance sheet of such instruments or for additional disclosure purposes. The valuation involves management judgment. Changes in the models or parameters used to determine the fair value of unquoted financial instruments can lead to changes in the fair value of these instruments. The changes in the fair value can impact:

- The income statement if these financial instruments are accounted for at fair value through profit or loss.

- Equity, if these instruments are accounted for as available for sale.

- The fair value disclosure as in Note 35 of the Notes to the 2006 Consolidated Financial Statements.

Determination of the useful life and the residual value of property, plant and equipment, investment property and intangible assets

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

The costs of new and renewed insurance business, principally commissions, underwriting, agency and policy issue expenses, all of which vary with and primarily are related to the production of new business, are deferred and amortized.

Deferred acquisition costs ("**DAC**") are periodically reviewed to ensure they are recoverable based on estimates of future profits of the underlying contracts.

Value of business acquired (VOBA) represents the difference between the fair value at acquisition date and the subsequent carrying value of a portfolio of contracts acquired in a business or portfolio acquisition. VOBA is recognized as an intangible asset and amortized over the income recognition period of the portfolio of contracts acquired.

Acquisitions of companies are accounted for using the purchase method of accounting. Goodwill represents the excess of the fair value of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the business combination, over the Fortis's interest in the fair value of assets acquired and liabilities and contingent liabilities assumed. Goodwill is not amortized, but instead is tested for impairment.

Intangible assets with finite lives, such as trademarks and licenses, are generally amortized over their useful lives using the straight-line method. Intangible assets with finite lives are reviewed at each reporting date for indicators of impairment.

Indefinite-lived intangibles, which are not amortized, are instead tested for impairment at least annually. Any impairment loss identified is recognized in the income statement.

Intangible assets are recorded on the balance sheet at cost less any accumulated amortization and any accumulated impairment losses. The residual value and the useful life of intangible assets are reviewed at each year-end.

The determination of the useful life and residual value of assets are best estimates involving judgment on future economic or technological developments. Changes in the estimated useful life or residual values will result in changes in the future amortization/depreciation amounts in the income statement.

Measurement of liabilities for insurance contracts

For life insurance contracts, future policy benefit liabilities are calculated using a net level premium method (present value of future net cash flows) on the basis of actuarial assumptions as determined by historical experience and industry standards. Participating policies include any additional liabilities relating to any contractual dividends or participations. For some designated contracts, the future policy benefit liabilities have been remeasured to reflect current market interest rates.

For life insurance contracts with minimum guaranteed returns, additional liabilities have been set up to reflect expected long-term interest rates. The liabilities relating to annuity policies during the accumulation period are equal to accumulated policyholder balances. After the accumulation period, the liabilities are equal to the present value of expected future payments. Changes in mortality tables that occurred in previous years are fully reflected in these liabilities. Actuarial assumptions are revised at each reporting date with the resulting impact recognized in the income statement.

The adequacy of the liability is tested at each reporting date on the level of homogeneous product groups. If the liabilities are not adequate to provide for future cash flows, including cash flows such as maintenance costs, as well as cash flows resulting from embedded options and guarantees and amortization of the DAC, the DAC is written off and/or additional liabilities are established based on best estimate assumptions. Any recognized deficiency is immediately recorded in the income statement.

Claims and claim adjustment expenses are charged to the income statement as incurred. Unpaid claims and claim adjustment expenses include estimates for reported claims and provisions for claims incurred but not reported. Estimates of claims incurred but not reported are developed using past experience, current claim trends and the prevailing social, economic and legal environments. The liability for non-life insurance claims and claim adjustment expenses is based on estimates of expected losses and takes into consideration management's judgment on anticipated levels of inflation, claim handling costs, legal risks and the trends in claims. Non-Life liabilities for workers' compensation business are presented at their net present value. The liabilities established are adequate to cover the ultimate costs of claims and claim adjustment expenses. Resulting adjustments are recorded in the income statement. Fortis does not discount its liabilities for claims other than for claims with determinable and fixed payment terms.

The establishment of liabilities for insurance contracts involves assumptions about regulatory, economic and demographic trends, investment returns and potential future events and actuarial assumptions, which may lead to different liabilities and different insurance claims and benefit expenses if differing assumptions are made.

Actuarial assumptions related to the measurement of pension obligations and assets

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

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

The establishment of liabilities for pension obligations involves assumptions about changes in social law, economic and demographic trends, investment returns and potential future events and actuarial assumptions, which may lead to different liabilities and different pension costs if differing assumptions are made.

Estimation of present obligations resulting from past events in the recognition of provisions

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

The establishment of provisions involves uncertainties in the amount or the timing of payments. Changes in the timing, the discount rate or the expected amount can lead to different provisions and related income statement amounts.

Consolidated Financial Statements

Preparation of Consolidated Financial Statements

Fortis has opted for consortium accounting through which the financial statements of Fortis SA/NV and Fortis N.V. are consolidated. The Consolidated Financial Statements are prepared in accordance with IFRS.

Determination of Accounting Policies

The IFRS standards allow in certain cases the application of different options. The following options were chosen by Fortis:

Trade date accounting: all purchases and sales of financial assets requiring delivery within the time frame established by regulation or market convention are recognized on the trade date, which is the date when Fortis becomes a party to the contractual provisions of the financial assets.

Investment property, real estate held for own use, fixed assets and intangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

Investments in joint ventures are accounted for using the equity method.

Fortis uses three types of hedges: fair value hedges, cash flow hedges and net investment hedges. Fair value hedge accounting is applied as from January 1, 2005 for portfolio hedges of interest rate risk ("macro hedging"). In this context, the difference between the fair value and the carrying value of the hedged item at designation of the hedging relationship is amortized over the remaining life of the hedged item. For macro hedges, Fortis uses the "carved out" version of IAS 39 adopted by the European Union which removes some of the limitations on fair value hedges and the strict requirements on the effectiveness of those hedges. Under this version, the impact of the changes in the estimates of the repricing dates is only considered ineffective if it leads to underhedging.

At initial recognition or first-time adoption of IFRS, Fortis has irrevocably designated some **financial assets and liabilities as held at fair value through profit or loss**, because:

- the host contract includes an embedded derivative that would otherwise require separation, or
- it eliminates or significantly reduces a measurement or recognition inconsistency ("accounting mismatch"), or
- it relates to a portfolio of financial assets and/or liabilities that are managed and evaluated on a fair value basis.

Fortis applies "**shadow accounting**" to the unrealized changes in fair value of the investments and assets and liabilities held for trading that are linked to and therefore affect the measurement of the insurance liabilities. These changes in fair value will therefore not be part of net equity.

The whole of the remaining unrealized changes in fair value of the available-for-sale portfolio — after application of "shadow accounting" — that are subject to **discretionary participation features** are classified as a separate component of equity.

The adequacy of insurance liabilities ("**liability adequacy test**") is tested at each reporting date with respect to homogeneous product groups.

Borrowing costs are generally expensed as incurred. Borrowing costs that are directly attributable to the acquisition or construction of an asset are capitalized while the asset is being constructed as part of the cost of that asset.

Pensions: under IFRS, Fortis uses the corridor approach, i.e. not recording actuarial differences within defined limits.

Changes in Accounting Policies

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

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

On January 12, 2006 the IASB published International Financial Reporting Interpretations Committee ("**IFRIC**") 8, *Scope of IFRS 2* and on 1 March 2006 IFRIC 9, *Reassessment of embedded derivatives*. These were endorsed by the European Commission on 8 September 2006. Neither of these had a material impact on Fortis in 2006.

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

On July 20, 2006 the IASB published IFRIC 10, *Interim Financial Reporting and Impairment*. This interpretation is already in line with the accounting policies of Fortis.

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

- IFRIC 11, *IFRS 2:* Group and Treasury Share Transactions, published on November 2, 2006, applicable as from the financial year 2008.
- IFRIC 12, *Service Concession Agreements*, published on November 30, 2006, applicable as from the financial year 2008.
- IFRS 8, *Operating Segments*, published on November 30, 2006, applicable as from the financial year 2009.

Scope of Consolidation

The Consolidated Financial Statements include Fortis SA/NV and Fortis N.V. and their subsidiaries. In combining the financial statements of Fortis SA/NV and Fortis N.V., Fortis has opted for consortium accounting in order to reflect in the most reliable manner its banking and insurance activities in accordance with the seventh Directive dated June 3, 1983 (83/349/EEC).

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

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

Investments in associates — investments where Fortis has significant influence, but which it does not control — are accounted for using the equity method.

First-Time Adoption of IFRS

IFRS 1, *First-time Adoption of International Financial Reporting Standards*, required the retrospective application of IFRS when an entity is first adopting IFRS. However, to facilitate the implementation of IFRS, the standard provides entities with twelve optional exemptions. On first-time adoption, Fortis elected to use the following exemptions:

Business Combinations that occurred prior to January 1, 2004 are not restated under IFRS. As a consequence previously paid goodwill that was included in equity is not restated.

Employee Benefits: IFRS allows entities when preparing the IFRS opening balance sheet to recognize in net equity all cumulative actuarial gains and losses that were not yet recognized previously in the income statement. Fortis makes use of this option. As stated above, Fortis continues to use the corridor approach (not recording actuarial differences within defined limits) from January 1, 2004.

Cumulative Translation Differences: the cumulative translation differences for all foreign operations are deemed to be zero at the date of transition to IFRS, and the gain or loss on a subsequent disposal of any foreign operation shall exclude translation differences that arose before the date of transition to IFRS.

Designation of Previously Recognized Financial Instruments: Fortis designated previously recognized financial assets as held at fair value through profit or loss or available for sale, and previously recognized financial liabilities as held at fair value through profit or loss at the date of transition.

Share-Based Payments: Fortis elected to apply IFRS 2 to all options and restricted shares granted to employees and outstanding as of November 30, 2003 and all options and restricted shares issued subsequent to January 1, 2004.

To emphasize that Fortis is an integrated financial services provider, Fortis chose an integrated presentation of its consolidated balance sheet and income statement. Separate schedules included in the Consolidated Financial Statements give a split of the balance sheet and income statement by segment (insurance and banking). The notes to the balance sheet and the income statement are also given by segment. Fortis prepares its balance sheet prior to appropriation of profit. The appropriation of profit is recorded at the time of the General Meeting of Shareholders and the adoption of the proposed appropriation of profit occurs once the shareholders have elected their source of dividend.

The Fortis consolidated financial statements for the year ended December 31, 2004 were prepared in accordance with the applicable legal and regulatory requirements in Belgium. An overview of these accounting principles ("**FAP**") can be found in the Fortis 2004 consolidated financial statements. Fortis has restated the 2004 Consolidated Financial Statements for comparative reasons to comply with IFRS.

Comparability of Results

2006 Compared to 2005

Results for 2006 compared to 2005 are not directly comparable as Fortis made a number of acquisitions during 2006 and certain 2005 acquisitions were consolidated for the full year 2006 compared to only part of 2005. The most significant acquisitions in 2006 were:

- The acquisition of O'Connor & Co (a Chicago based leading supplier of clearing services in the United States), consolidated as of the first quarter of 2006
- The acquisition of Dreieck Industrie Leasing AG (a Swiss based leasing company), consolidated as of the first quarter of 2006
- The acquisition of Von Essen KG Bankgesellschaft (a German consumer finance bank), consolidated as of the first quarter of 2006
- The acquisition of William Properties (a leading Dutch real estate developer), consolidated as of the third quarter of 2006
- The acquisition of Cinergy Marketing & Trading (a marketing and trading platform with operations in all key North America power and gas markets), consolidated as of the fourth quarter of 2006
- The acquisition of Cadogan (a fund of hedge fund asset manager), consolidated as of December 31, 2006

2005 Compared to 2004

Results for 2005 compared to 2004 are not directly comparable due to first time adoption of IFRS as well as acquisition and dispositions made in the two periods being compared:

- The application of hedge accounting as of January 1, 2005;
- The acquisition of Dişbank the seventh largest bank in Turkey, consolidated as of the third quarter of 2005;
- The acquisition of Dryden (an international asset manager), consolidated as of the fourth quarter of 2005;
- Acquisition of Atradius (a European factoring company), consolidated as of the fourth quarter of 2005;
- The acquisition of 51% of Millenniumbcp Fortis Insurance Group (the largest issuer of life insurance products in Portugal), consolidated as of January 1, 2005;
- The divestment of Fortis Bank Asia in 2004; and
- Further divestment of Assurant (its US insurance operations) shares as of February 2004.

Application and Impact of Hedge Accounting

As Fortis was not permitted to apply hedge accounting retroactively to its 2004 accounts, the results of operations in 2005 compared to 2004 are not directly comparable. For a better understanding of the impact on the 2004 results where hedge accounting could not be applied, the following table sets forth the impact on the 2004 results had hedge accounting been applied. The application of hedge accounting (fully applied in 2005 and thereafter) only affects the line items set forth in the table below.

	Actual 2004, Excluding Hedge Accounting	Adjustments					2004, Including Hedge Accounting
	2004	Retail Banking	Merchant Banking	Commercial & Private Banking	Other Banking	Total	Pro-forma 2004
	(unaudited) (EUR million)						
Other realized and (un)realized gains and losses	(914)	0	246	0	714	960	46
Other income.	244	244	54	104	(402)	0	244
Income tax expense . .	(201)	(86)	(99)	(34)	(97)	(317)	(518)
Net profit attributable to shareholders. . . .	965	175	201	70	198	643	1,608

The discussion of 2005 results compared to 2004 results will highlight the impact of the application of hedge accounting in 2005 compared to 2004.

Fortis applies the fair value option to certain amounts recorded under Amounts due from customers, Amounts due to customers, Debt certificates and Subordinated liabilities. As a result, these items have been restated retroactively in the income statements as from January 1, 2004.

Segment Reporting

Fortis is an international financial services provider active in the fields of banking and insurance. The primary format for reporting segment information is based on business segments.

Management and Organizational Structure Prior to January 1, 2007

Prior to January 1, 2007, Fortis was organized and managed world-wide on the basis of six business segments:

- Retail Banking
- Merchant Banking
- Commercial & Private Banking
- Insurance Belgium
- Insurance Netherlands
- Insurance International

For purposes of the financial information included herein as well as the discussion of operating results that follows for the three years ended December 31, 2006, such information has been prepared and presented on the basis of the organizational and management structure in effect prior to January 1, 2007. However, the financial data and discussion of operating results for the nine months ended September 30, 2007 has been prepared based on the new management and organizational structure described below.

Activities not related to banking and insurance and elimination differences are reported separately from the banking and insurance activities.

Fortis's segment reporting reflects the full economic contribution of the segments within Fortis. The aim is direct allocation of all balance sheet and income statement items to the segments that have full management responsibility. Segment information is prepared based on the same accounting policies as those used in preparing and presenting Fortis's Consolidated Financial Statements and by applying appropriate allocation rules.

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

Banking

Retail Banking

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

Merchant Banking

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

Commercial & Private Banking

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

Other Banking

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

For 2005 Fortis Bank AS (Turkey), Fortis Hypotheek Bank and some other Fortis companies were reported under this section. As from 2006 Fortis Bank AS (Turkey) is reported within all relevant segments. Also as from 2006 Belgolaise (the African banking operations) is reported in Other Banking.

Allocation rules

Segment reporting within the banking segments makes use of balance sheet allocation rules, a fund transfer pricing system including balance sheet squaring mechanisms (through which all transactions with clients are matched with equal transactions with the central bankers for the Group), rebilling of support and operations expenses and overhead allocation. The balance sheet allocation and squaring methodology aim at reporting information to reflect Fortis's business model in a consistent way across the various segments of Fortis's banking operations.

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

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

Insurance

Insurance Belgium

Insurance Belgium works through intermediaries to offer a comprehensive range of life and non life insurance products to private individuals and small and medium sized enterprises ("**SMEs**"). Insurance Belgium also offers group policies to large enterprises through Fortis Employee Benefits and sells a comprehensive range of life and non-life insurance products through bank branches.

Insurance Netherlands

Insurance Netherlands serves the market via independent insurance brokers, bancassurance and tied agents using internet and offers businesses and individuals a wide range of life, non life, healthcare and disability insurance products, and mortgage and savings products.

Insurance International

Insurance International comprises Fortis's insurance activities outside Belgium and The Netherlands. Insurance activities are carried out in Luxembourg, France and the United Kingdom via Fortis Insurance International and its subsidiaries. Insurance activities are executed in Portugal, Spain, China, Malaysia and Thailand in cooperation with local partners.

Other insurance and eliminations

Other Insurance was used in 2004 only. It includes the full figures for Assurant for January 2004 (one month) and Fortis's share in Assurant's results after the disposal and listing on the New York Stock Exchange. The capital gain on the sale of Assurant, however, is reported under the General section. The capital gain on the sale of Seguros Bilbao is reported in Other insurance in 2004.

The eliminations of transactions between insurance segments is reported in "— *Eliminations*".

Allocation rules

Unlike banking, support functions are provided by each of the insurance segments and, as a result, insurance companies do not report support activities separately. When allocating balance sheet items to the life and non-life activities, a bottom-up approach is used based on the products sold to external customers. For the balance sheet items not related to products sold to customers, a tailor-made methodology is applied by each reportable insurance segment.

General

This section comprises activities not related to the core banking and insurance business, such as treasury and finance and other holding activities.

New Management and Organizational Structure as of January 1, 2007

As of January 1, 2007 Fortis has reorganized its organizational and management structure into three core businesses:

- Retail Banking;
- Merchant & Private Banking; and
- Insurance.

As such, Fortis now is organized on a worldwide basis into three businesses, further subdivided into business segments as shown below:

Retail Banking

- Retail Banking Network; and
- Retail Banking Asset Management.

Merchant & Private Banking

- Merchant & Private Banking Clients; and
- Merchant & Private Banking Skills.

Insurance

- Insurance Belgium — Life;
- Insurance Belgium — Non-Life;
- Insurance Netherlands — Life;

- Insurance Netherlands — Non-Life;
- Insurance International — Life; and
- Insurance International — Non-Life.

Retail Banking

Retail Banking consists of the segments Retail Banking Network and Retail Banking Asset Management.

Retail Banking Network

See "*— Consolidated Financial Statements — Segment Reporting — Banking — Retail Banking*".

Retail Banking Asset Management

Fortis Investments carries out asset management activities, acting as a multi-center, multi-product asset management company. Based in Europe, the company has a global presence with both sales offices and some key investment centers in Europe, the United States and Asia. Activities range from institutional portfolio management to the development and management of mutual funds.

Merchant & Private Banking

Merchant & Private Banking encompasses a wide range of banking products and skill-oriented financial services for large international companies and institutional clients, medium-sized enterprises and entrepreneurs, and private banking clients. Merchant & Private Banking is organized according to a Clients-Skills structure. See "*— Segment Reporting — Banking — Merchant Banking" and "— Commercial & Private Banking*".

Merchant & Private Banking Skills

Merchant & Private Banking is organized around Skills units delivering their high added value products and services potentially to all Clients segments. Skills include Global Markets, Clearing, Funds and Custody, Investment Banking and Specialized Financial Services. Specialized Financial Services include leasing, commercial finance, global trade services, cash management, trust and corporate services. Global Markets performs all trading, sales and research activities. Clearing, Funds and Custody offers financial services in custody, clearing and fund administration that support the trading and investment activities of financial professionals.

Investment Banking offers a wide variety of financial services, including corporate finance, structural finance and private equity. Specialized Financial Services consists of leasing, commercial finance, global trade services, cash management, trust and corporate services.

Other Banking

Balance sheet items, revenues and costs for support functions, operations and ALM are reported in this section. The figures reported are those after allocation to the business segments.

Fortis Hypotheek Bank, Belgolaise and some other Fortis companies are also reported in Other Banking.

Allocation rules

Under the new organizational structure the allocation rules with respect to banking have remained the same. See "*— Consolidated Financial Statements — Segment Reporting — Banking — Allocation rules.*"

Insurance

Insurance leverages its existing skills in distribution, operations and products from its home markets in the Benelux region and has established leading positions in selected European and Asian markets. Life includes insurance contracts with coverage related to the risks of the life and death of individuals. Life also includes investment contracts. Non-Life includes accident, health and motor, fire and other insurance covering the risk of property losses or claim liabilities.

Insurance Belgium

See "*— Consolidated Financial Statements — Segment Reporting — Insurance — Insurance Belgium*".

Insurance Belgium — Life

Life insurance includes both Savings, with investment-focused Unit-linked contracts, and traditional products with a guaranteed interest rate.

Insurance Belgium — Non-Life

Non-Life insurance includes, in addition to the retail and business targeted Property & Casualty product range (motor, fire, liability), workmens' compensation and accident & health products.

Insurance Netherlands

See "*— Consolidated Financial Statements — Segment Reporting — Insurance — Insurance Netherlands*".

Insurance Netherlands — Life

Life includes insurance contracts with coverage to the risks of the life and death of individuals. Life also includes investment contracts.

Insurance Netherlands — Non-Life

Non-Life includes accident and health, motor, fire and other insurance covering the risk of property losses or claim liabilities.

Insurance International

See "*— Consolidated Financial Statements — Segment Reporting — Insurance — Insurance International*".

Insurance International — Life

In Life insurance, Insurance International is active through wholly-owned subsidiaries in France, Luxembourg, Germany and Russia, Ukraine and Turkey. In Portugal, Insurance International holds a 51% shareholding in Millenniumbcp. In Spain, Fortis operates via its 50% stake in CaiFor, a joint venture with "la Caixa", which stake Fortis has agreed to sell to "la Caixa" as announced on July 12, 2007; this transaction closed on November 13, 2007. In Asia, Insurance International also operates through minority shareholdings in Thailand, Malaysia and China.

Insurance International — Non-Life

In Non-Life, Insurance International is active through wholly-owned subsidiaries in Luxembourg, the UK. In Spain Non life is sold through a joint venture in which Fortis holds a 50% stake. In Portugal Insurance International holds a 51% shareholding in Millennium bcp.

In Asia Insurance International also operates through minority shareholdings in Thailand and Malaysia. Fortis Corporate Insurance is a Non-Life insurers for large and medium-sized national and international companies in the Benelux.

Eliminations

Eliminations include eliminations between insurance segments.

Allocation rules

The allocation rules for insurance segments have not changed as a result of the new organizational structure. See "*— Segment Reporting — Insurance — Allocation Rules*."

Consolidated Results of Operations for Years Ended December 31, 2006, 2005 and 2004

Certain summary consolidated income statement information for the years ended December 31, 2006, 2005 and 2004 is set forth below.

	Year Ended December 31, 2006	2005	2004
	(EUR million, except % and per share data)		
Net profit before results on divestments			
— Banking	3,149	2,434	947
— Insurance	1,420	1,225	1,127
— General (including eliminations)	(218)	(161)	(306)
Total	4,351	3,498	1,768
Results on divestments			
— Assurant (General)	—	443	422
— Seguros Bilbao (Insurance)	—	—	145
— Fortis Bank Asia (Banking)	—	—	18
Total	—	443	585
Net profit	4,351	3,941	2,353
Basic EPS (in EUR)	3.38	3.07	1.84
— Before results on divestments	3.38	2.73	1.38
Net equity per share	15.98	14.75	11.97
Return on equity (in %)[1]	21.7%	23.0%	21.6%

(1) Based on the average capital (five last quarters) and results of the last four quarters.

Consolidated Results of Operations — 2006 Compared to 2005

Total net profit before results on divestments increased by 24% to EUR 4,351 million in 2006 from EUR 3,498 million in 2005. The increase was attributable to strong results in Banking and improved results in Insurance, while General reported increased losses. Total net profit for 2006 increased 10% compared to 2005, with 2005 benefiting from the divestment of Assurant (EUR 443 million).

Banking net profit before results on divestment was EUR 3,149 million in 2006, a substantial increase of 29% or EUR 715 million compared with EUR 2,434 million in 2005. Total banking revenues rose by 15% to EUR 10,324 million in 2006 compared to EUR 8,991 million in 2005 due to buoyant commercial activity and higher treasury and financial markets results. Expenses increased by 13% to EUR 6,315 million in 2006 compared to EUR 5,603 million in 2005 mainly due to accelerated investments in the latter part of 2006 for growth initiatives, new hiring and the consolidation of acquisitions. Banking net profit before results on divestments also benefited from lower changes in impairments and a lower effective tax rate.

Insurance net profit before results on divestment for 2006 increased 16% to EUR 1,420 million, with Life advancing 24% to EUR 924 million (EUR 748 million in 2005) and Non-Life rising 4% to EUR 496 million in 2006 (EUR 477 million in 2005). The increase in Life was due to higher investment income and higher capital gains, partly offset by the result-related commission (EUR 49 million) paid to Retail Banking in Belgium. As part of the sale of FB Insurance to Fortis Insurance it was agreed that FB Insurance would pay a result related commission to Fortis Bank as of January 1, 2006. A lower effective tax rate owing to a more favorable capital gains mix also contributed to the rise in Life net profit. The improvement in Non-Life results was in line with Non-Life technical results which increased 7%, mainly owing to volume growth and a stable combined ratio. Higher technical results in the Dutch Accident & Health market and better results at Motor compensated for lower results at Fire.

The General segment registered a negative contribution to net profit before divestments of EUR 218 million in 2006 compared with a loss of EUR 161 million in 2005, a 35% increase. The increased losses in 2006 were attributable to higher financing charges paid by the general segment due to the acquisition of FB Insurance from Fortis Bank Belgium financed by a loan obtained from external sources by the General segment in anticipation of the merger of Fortis AG and FB Insurance into Fortis Insurance Belgium, a lower positive change in the fair value of the mandatory exchangeable bond ("**MEB**") convertible into Assurant shares (EUR 52 million in 2006 compared with EUR 76 million in 2005), and higher costs related to the promotion of the Fortis brand.

In 2006, Fortis restyled its brand and accompanied it with a world wide promotion campaign. These higher costs were offset in part by the receipt of EUR 91 million in surrender penalties received from group entities owing to early loan repayments and lower eliminations of treasury share revenues. Net loss for the General segment in 2006 (EUR 218 million in 2006) was not impacted by dispositions compared to 2005 which was favorably impacted by the follow on offering of Assurant shares resulting in a gain of EUR 443 million which resulted in a positive contribution after results on divestments of EUR 282 million in 2005.

Consolidated Results of Operations — 2005 Compared to 2004

Total net profit before results on divestments increased by 98% to EUR 3,498 million in 2005 from EUR 1,768 million in 2004. The increase was attributable primarily to very strong results in the Banking segment, with improved results in Insurance and General as well. Total net profit increased by 66% to EUR 3,941 million in 2005 from EUR 2,353 million in 2004. Net profit was impacted in both 2004 and 2005 by the transactions with respect to Assurant, Fortis's former US insurance operations, with significant gains reported in 2004 and 2005. These transactions contributed gains of EUR 443 million in 2005 and EUR 422 million in 2004. 2004 also included gains of EUR 145 million from the sale of Seguros Bilbao and EUR 18 million from the sale of Fortis Bank Asia.

Banking net profit before results on divestments rose significantly to EUR 2,434 million in 2005 from EUR 947 million in 2004. Total Banking revenues rose by 34% to EUR 8,991 million in 2005, while total Banking expenses increased by only 5% to EUR 5,603 million. The consolidation of Fortis Bank Turkey and Dryden accounted for 3% of the increase in expenses. The change in provisions for impairment on loans remained stable at EUR 209 million.

Insurance net profit before results on divestments rose 9% to EUR 1,225 million in 2005. The Non-Life net profit before results on divestments rose 40% to EUR 477 million, as the combined ratio improved from 99% to 96% and Life net profit before results on divestments increased by 5% to EUR 748 million. These increases more than compensated for the loss in contribution from Assurant following its divestment.

The General segment registered a negative contribution to net profit before results on divestments of EUR 161 million in 2005, compared with a loss of EUR 306 million in 2004. Net profit, however, more than doubled to EUR 282 million. Net profit was impacted in both 2004 and 2005 by the divestment of Assurant, which resulted in realized gains of EUR 443 million in 2005 and EUR 422 million in 2004.

Banking

The following table sets forth selected financial information for Fortis's consolidated banking operations for the periods indicated. For purposes of this presentation, in showing revenues and expenses, Fortis has netted certain expenses (interest expense, fee and commission income and certain other expenses) against its revenues, so the presentation below does not follow the segment presentation in the Consolidated Financial Statements. These are only presentation changes and have no impact on net profit.

	Year Ended December 31,			2006 vs. 2005	2005 vs. 2004
	2006	2005	2004	Change	Change
	(EUR million)				
Income statement					
Net interest income	5,086	4,653	4,526	9%	3%
Net commissions and fees	2,764	2,290	2,119	21%	8%
Realized capital gains (losses)	576	712	516	(19)%	38%
(Un)realized gains (losses)	1,339	805	(914)	66%	*
Dividend and other investment income	287	259	225	11%	15%
Other income	272	272	260	0%	5%
Total revenues	10,324	8,991	6,732	15%	34%
Change in provisions for impairment	(158)	(209)	(208)	(24)%	0%
Net revenues	10,166	8,782	6,524	16%	35%
Staff expenses	(3,625)	(3,370)	(2,963)	8%	14%
Other operating and administrative expenses	(2,690)	(2,233)	(2,381)	20%	(6)%
Total expenses	(6,315)	(5,603)	(5,344)	13%	5%
Profit before income tax	3,851	3,179	1,180	21%	*
Income tax	(692)	(734)	(201)	(6)%	*
Net profit before minority interests	3,159	2,245	979	29%	*
Minority interests	10	11	14	(9)%	(20)%
Net profit	3,149	2,434	965	29%	*
Results on divestments	—	—	—		
Net profit before results on divestments	3,149	2,434	965	29%	*

Banking Key Performance Indicators

	Year Ended December 31,			2006 vs. 2005	2005 vs. 2004
	2006	2005	2004	Change	Change
	(EUR million)				
Cost/Income ratio (%)	61.2%	62.3%	79.4%		
Operating leverage(1)	2.1%	28.7%	—		
Credit Risk Weighted Commitments (RWCs) (EUR million)	221,633	198,241	163,042	12%	22%
— Credit loss ratio (basis points)(2)	7	10	13		
Credit Quality (EUR million)					
— Total loans to customers	288,078	280,233	228,127	3%	23%
— Non-performing loans	5,934	6,371	6,015	(7)%	6%
As a % of total loans to customers	2.1%	2.3%	2.6%		

(1) Operating leverage is defined as the difference between the percentage growth in total revenues, prior to changes in provisions, and in total expenses.

(2) As a % of average Credit RWCs.

Under IFRS (accounting based) all interest income and expenses, including interest income and expenses relating to trading positions, are reported in net interest income. Since the net interest income on trading positions is dependent on the structure of the trading positions (long/short) the corresponding net interest income can become very volatile.

Fortis believes that the activity-based presentation of net interest income and related Realized capital gains/losses and Other (un)realized gains and losses set out below provides a more accurate description of its net interest income. This alternative presentation has no impact on the total net result.

	Year Ended December 31,		
	2006	2005	2004
	(unaudited) (EUR million)		
Accounting based			
Net interest income	5,086	4,653	4,526
Realized capital gains (losses) on investments	576	712	516
Other (un)realized gains/losses	1,339	805	(914)
Total	7,001	6,170	4,128
Activity based(1)			
Net interest income on interest margin products(2)	5,087	4,574	4,140
Capital gains not linked to financial markets activity	530	496	(223)
Treasury and financial markets	1,384	1,100	211
Total	7,001	6,170	4,128

(1) Data reclassified according to certain criteria, which, in the view of Fortis, provide a more accurate presentation of Fortis's banking activities.

(2) Interest products are, among others, loans, saving accounts, deposits and bonds, (but not part of the trading portfolio).

2006 Compared to 2005

Total revenues. Total revenues for 2006 increased to EUR 10,324 million, up 15% from EUR 8,991 million in 2005. The increase reflected ongoing robust customer activity, a substantially higher contribution from treasury and financial markets and the inclusion of acquisitions. Excluding the impact of acquisitions, organic year-on-year growth was 12%. Net interest income rose by 9% in 2006 compared to 2005. Net interest income from interest-margin products reached EUR 5,087 million for 2006, up 11% on 2005 (EUR 4,574 million), or 7% adjusting for the impact of acquisitions. All three banking businesses had increased net interest income with increases of 16% in Merchant Banking, 15% in Commercial & Private Banking and 7% in Retail Banking. The growth in net interest income at Merchant Banking and Commercial & Private Banking was due to high levels of commercial activity. The increase at Retail Banking was principally due to the positive impact of acquisitions. All three businesses experienced volume growth, partly offset by contracting margins. Underlying loan volume (excluding reverse repurchase agreements) rose 14% compared with year-end 2005. Net interest income from ALM benefited from higher short-term interest rates, higher retained earnings and a slightly higher duration of equity.

Net inflow of Private Banking (EUR 6.9 billion) and Fortis Investments (EUR 9.9 billion), combined with favorable market movements resulted in an increase in assets under management of 16% to EUR 181.6 billion.

Capital gains that were not linked to financial markets were EUR 530 million in 2006, rising EUR 34 million or 7% from the level achieved in 2005. Realized capital gains in 2006 were primarily equity-based and event-driven, bringing down the overall effective tax rate, while the 2005 gains were essentially bond-driven.

Treasury and financial markets revenues rose by 26% to EUR 1,384 million for 2006 compared to EUR 1,100 million in 2005. This activity benefited from robust trading results, higher market values of financial market instruments and private equity shareholdings, and seasonally strong global securities-financing activities in the second quarter. A EUR 180 million gain, posted as a result of a non-qualifying hedge on the part of the mortgage portfolio, was offset in part by one-off surrender penalty charges of EUR 91 million on early repayment of intercompany loans and negative revaluation of derivative positions. These penalty charges were recorded as benefits in the General segment as discussed above.

Net commissions and fees amounted to EUR 2,764 million in 2006, up 21% on EUR 2,290 million in 2005. Acquisitions accounted for 4% of the increase. Banking benefited from a new EUR 83 million result-related commission from FB Insurance on sales of insurance products through the bank channel following the transfer of FB Insurance to the Insurance segment. Excluding this factor, net commissions and fees increased organically by 13%. This healthy growth was achieved due to fees related to assets under management (up 18%) and security transactions (up 24%). Fees for assets under management benefited from high net inflows and higher asset values, resulting in a substantially higher fee base. Growth of securities-related fees related to the high levels of such activity on stock exchanges.

Other income for 2006 was EUR 272 million, unchanged from 2005. While 2005 benefited from an exceptional reimbursement from the Belgian Deposit Protection Fund of EUR 48 million, 2006 was impacted favorably by the merger of the facility operations of Banking and Insurance in the Bank during 2006, which led to increased costs for the Bank which were then recharged to Insurance. This recharge is included in Other income for 2006.

Profit before income tax. The benign credit environment resulted in very low changes in provisions for impairments in 2005 and 2006, mainly due to net releases posted by Merchant Banking in both years. Impairment levels at Commercial Banking in 2006 improved due to the strong underlying credit quality while Other Banking benefited from provision releases for Belgolaise, Fortis's banking operations in Africa. The change in impairments for Retail Banking increased year-on-year (EUR 150 million in 2006 and EUR 130 million in 2005), reflecting higher credit provisions related to the integration of the acquisitions in Germany and Turkey, although underlying credit quality at Retail Banking remained sound. The annualized credit loss ratio for the year (expressed as a percentage of average credit risk-weighted commitments) was 7 basis points, in line with expectations and below the 10 basis points posted for full-year 2005. The 2006 credit loss ratio is considerably lower than the expected average cross-cycle credit loss ratio of around 25 to 30 basis points.

Total expenses were EUR 6,315 million in 2006, up EUR 712 million or 13% on 2005. Organic year-on-year growth amounted to 8%, resulting in an organic operating leverage of 370 basis points. Operating leverage on a fully consolidated basis was 210 basis points. The full year cost/income ratio improved by 1.1 percentage point to 61.2%. Excluding acquisitions, the cost /income ratio would have been 59.8% in 2006, a 2 percentage point improvement on 2005.

Staff expenses rose 8% to EUR 3,625 million in 2006 compared with EUR 3,370 million in 2005. A EUR 135 million restructuring charge related to the upgrade of the quality of management was taken in 2005, while EUR 40 million in early departure costs was posted in the fourth quarter of 2006. Adjusting both years for these one-off provisions, staff expenses rose by 11% year-on-year partly due to acquisitions. The organic increase was 6% due mainly to the impact of hiring and wage drift, which were partly offset by exceptional releases in health insurance and pension provisions.

Total Banking FTEs stood at 43,575 at the end of 2006, an increase of 6% compared with year-end 2005. Organic hiring, representing about half of year-on-year growth, was made to support more robust commercial activity at Commercial & Private Banking and Merchant Banking.

Other operating and administrative expenses were EUR 2,690 million in 2006, 20% higher than in 2005. 5% of this increase is attributable to the integration of acquisitions, putting organic growth at 15%, in line with revenue growth. Other expenses rose chiefly due to investments in technology infrastructure, consultancy, growth engines and branding in support of our long-term growth plans.

Taxation. Income tax decreased from EUR 734 million in 2005 to EUR 692 million in 2006, despite the higher levels of profit, resulting in an effective tax rate of 18% in 2006, 5 percentage points lower than in 2005. The decrease can be attributed to the structure of the trading results, higher tax exempt gains on shares and tax deductible losses on derivatives, and the establishment of a Treasury centre in Belgium. The equity investment of the Treasury centre allowed Fortis to benefit from an interest reduction on Belgium taxes payable and resulted in considerable tax savings.

Net profit before results on divestments. Net profit before results on divestments was EUR 3,149 million, an increase of 29% or EUR 715 million compared with 2005. This strong performance was achieved due to the reasons described above with the buoyant commercial activity, higher treasury and financial markets results, lower changes in impairments and a lower effective tax rate offset only in part by higher expenses which rose mainly due to accelerated investments in growth, new hires and the consolidation of acquisitions.

2005 Compared to 2004

Total revenues. Total revenues increased 34% to EUR 8,991 million in 2005. This increase was attributable to buoyant customer activity and strong results linked to strengthening capital markets and the impact of applying hedge accounting in 2005. Net interest income from interest margin products rose by 11% to EUR 4,574 million, driven by higher revenues at all three banking businesses and the EUR 115 million contribution from Fortis Turkey.

The 10% increase at Commercial & Private Banking was driven mainly by strong activity in asset-based finance and in treasury management, while Retail Banking (+7%) benefited from volume growth (mortgages and consumer finance) and the repricing of deposits in Belgium as from August 1, 2005. Net interest income from Corporate and Investment Banking increased by 5% as improved margins and solid volume growth in Specialized Finance (e.g. Commodities, Energy, Aviation) more than offset the margin pressure experienced in corporate lending.

Net inflow at Private Banking (EUR 3.3 billion) and Fortis Investments (EUR 11.6 billion), combined with favorable market movements, resulted in a 28% increase in total funds under management to EUR 157 billion.

Capital gains that were not linked to financial markets increased to EUR 496 million in 2005 compared to a loss of EUR 223 million in 2004, reflecting capital gains on the bond portfolio, mainly at the start of 2005, as well as gains on the private equity portfolio. Strong trading results and the higher market value of financial market instruments drove up the results of treasury and financial markets significantly. The high trading results in the first half of 2005 contributed to the results increasing significantly to EUR 1,100 million in 2005 compared to EUR 211 million in 2004. A portion of this improvement is attributable to the application of hedge accounting in 2005 but not in 2004.

Net commissions and fees rose 8% to EUR 2,290 million in 2005 compared to EUR 2,119 million in 2004 due to a strong second half of 2005 at both Retail Banking and Commercial & Private Banking and principally due to commissions on assets under management as well as performance fees. The 15% increase in dividend and other investment income to EUR 259 million in 2005 compared to 2004 was principally attributable to Merchant Banking.

Other income was EUR 272 million in 2005 compared to EUR 261 million in 2004. The primary reason for the increase in other revenues was the 5% rise in dividend and other investment income, predominantly at Merchant Banking.

Profit before income tax. The change in provisions for impairment remained flat compared with 2004 at EUR 209 million. The annualized credit loss ratio dropped to 10 basis points from 13 basis points in 2004, substantially below the 25 to 30 basis points that is the expected average cross-cycle credit loss ratio. Although total impairments remained stable year-on-year, underlying developments in 2005 were different from those in 2004. Merchant Banking posted a release of EUR 107 million compared with a EUR 48 million charge in 2004, a reflection of the benign credit environment. Commercial & Private Banking, however, reported an increase in change in provisions for impairment to EUR 153 million, which was partially due to a more stringent IBNR calculation and major recoveries in 2004 which reduced the provisions in that year. As a result, the burn rate for 2005 at Commercial & Private Banking stood at 45 basis points, a level considered normal across the cycle. The pattern at Retail Banking was fairly stable in both 2005 and 2004.

Total expenses rose 5% to EUR 5,603 million in 2005 from EUR 5,344 million in 2004. Staff expenses rose by 14% to EUR 3,370 million, reflecting new hiring's at Commercial & Private Banking and Merchant Banking, higher variable remuneration linked to improved results and EUR 135 million impact of investments in the quality of management, which included costs related to early departures, expenses of the leadership program and other restructuring charges.

Total Banking FTEs rose 15% to 41,162 at the end of 2005, due primarily to the integration of Fortis Turkey, hiring's in strategic growth areas and certain acquisitions, such as Dryden and Atradius Factoring. Other operating and administrative expenses decreased by 6%, partly as a result of the initial effects of cost-saving plans. The cost/income ratio consequently improved to 62.3% in 2005 from 79.4% in 2004. The cost/income ratio in 2004 was adversely impacted by IFRS not permitting retroactive application of hedge accounting.

Taxation. Income tax increased from EUR 201 million in 2004 to EUR 734 million in 2005. These amounts represented rates of 23% and 17% in 2005 and 2004, respectively. The increase was due to the relatively lower realized capital gains in 2005 compared to 2004 and to the increase in pre-tax profits.

Net profit before results on divestments. Net profit before results on divestments at Banking increased to EUR 2,434 million in 2005 from EUR 965 million in 2004. A sharp increase in all revenue components, moderate 5% expense growth and stable provisions for impairment on loans drove this rise. This resulted in operating leverage of 28.7%.

Banking Balance Sheet

The table below shows information regarding Fortis's banking balance sheet at the dates indicated.

	At December 31, 2005		
	2006	2005	2004
	(EUR million, except %)		
Due from banks	89,413	80,054	63,056
Due from customers			
Government and official institutions	5,313	7,781	5,975
Residential mortgage	89,322	80,098	72,407
Consumer loans	10,226	9,431	8,815
Commercial loans	110,650	93,646	77,566
Reverse repurchase agreements	37,649	61,074	36,935
Securities lending transactions	22,091	17,307	18,191
Other loans and impairments	10,626	8,525	5,618
Total due from customers	285,877	277,862	225,507
Investments	137,777	135,314	118,541
Other assets(1)	161,591	145,966	133,314
Total assets	674,658	639,196	540,418
Due to banks	177,161	174,780	123,257
Due to customers			
Demand deposits	76,127	73,477	61,353
Saving deposits	55,720	58,051	54,690
Time deposits	74,770	60,209	54,765
Other deposits	229	649	826
Total Deposits	206,846	192,386	171,634
Repurchase agreements	48,391	67,364	47,865
Securities lending	4,271	2,271	1,485
Other	548	1,264	5,673
Total due to customers	260,056	263,285	226,657
Other liabilities(2)	220,577	187,948	179,434
Total Liabilities	657,794	626,013	529,348
Shareholders' equity	16,666	12,975	10,879
Minority interests	198	208	191
Total equity	16,864	13,183	11,070
Total liabilities and equity	674,658	639,196	540,418
Risk-bearing capital(3)	26,664	22,210	19,969
Risk-weighted commitments(4)	240,105	212,095	172,391
Tier 1 ratio(5)	7.1%	7.4%	8.3%
Total capital ratio(5)	11.1%	10.5%	11.6%

(1) Other Assets includes Cash and cash equivalents, Assets held for trading, Reinsurance, trade and other receivables, property, plant and equipment, Goodwill and other intangible assets, and accrued interest and other assets.

(2) Other liabilities includes Liabilities held for trading, Debt certificates, Liabilities arising from insurance and investment contracts, Subordinated liabilities, Other borrowings, Provisions, Current and deferred tax liabilities, and Accrued interest and other liabilities.

(3) Calculated in accordance with Belgian GAAP at December 31, 2005 and 2004 and calculated in accordance with IFRS at December 31, 2006.

(4) Risk-weighted commitments consist of both off-balance sheet and on-balance sheet credit risk plus market risk associated with trading activity.

(5) As of January 1, 2006, the basis for calculating the components of capital adequacy ratios is IFRS, whereas prior to this time, the basis was Belgian GAAP. See "*— Liquidity and Capital Resources — Bank Cash Flows — Capital Adequacy*" for a discussion of the impact on equity as a result of the transition to IFRS.

2006 Compared to 2005

Total assets. Total assets increased by 6% compared to year end 2006 due to growth in commercial activities resulting in an increase in loans to customers and amounts due from banks.

Due from banks. Due from banks increased by EUR 9 billion in 2006, primarily as a result of higher securities lending transactions (EUR 11 billion), higher mandatory reserve deposits with central banks (EUR 2.4 billion) and higher loans and advances (EUR 3.3 billion), partly offset by lower reverse repurchase agreements.

Due from customers. Due from customers increased by 3% to EUR 286 billion in 2006 (2005: EUR 278 billion) as a result of an increase in mortgages of 11% to EUR 89 billion and an 18% increase in commercial loans up to EUR 111 billion due to increased commercial activities offset in part by a decrease in reverse repurchase agreements of EUR 23 billion in 2005.

Due to banks. Due to banks increased by only EUR 2.4 billion in 2006 to EUR 177.1 billion. This small increase was due to an increase in deposits from banks (EUR 6.8 billion) and securities borrowing (EUR 7.5 billion), offset by lower repurchase agreements (EUR 11.8 billion).

Due to customers. Due to customers decreased by EUR 3.2 billion to EUR 260 billion in 2006 (2005: EUR 263 billion). The decrease in repurchase agreements of EUR 19 billion was not fully offset by increases in deposits of EUR 14 billion and security lending of EUR 2 billion.

Time deposits increased by EUR 14 billion in 2006. The increase in time deposits was due to market conditions making time deposits more attractive than saving deposits. Interest rates on short term deposits were higher than the rates on saving accounts due to the flat increase in the interest curve.

Risk weighted commitments. In line with the strong underlying loan volume growth, Credit risk-weighted commitments ("**CRWCs**") rose to EUR 222 billion at the end of 2006, up 12% on year-end 2005. This increase was principally due to an increase in, and composition of, the loan book. Low weighting repo agreements were replaced by straight loans. Total risk-weighted commitments, including market risk-weighted commitments of EUR 18 billion, were up 13% on 2005, reaching EUR 240 billion at the end of 2006.

2005 Compared to 2004

Total Assets. Total assets increased by 18%, from EUR 540.4 billion in 2004 to EUR 639.2 billion in 2005. This increase was principally due to higher due from banks (EUR 17 billion) and due from customers (EUR 52.4 billion) and higher investments (EUR 16.8 billion).

Due from banks. Due from banks increased EUR 17 billion, primarily as a result of increased reverse repurchase agreements and securities lending.

Due from customers. Due from customers increased 23% to EUR 278 billion, mainly as a result of an 11% increase in residential mortgages, a 21% increase in commercial loans and a 65% increase in reverse repurchase agreements. The increase in reverse repurchase agreements to EUR 61 billion was in line with the policy of Fortis to optimize funding, capital consumption and securities allocation.

Due to banks. Due to banks increased 42% to EUR 175 billion, primarily as a result of a 60% increase in time deposits and a 57% increase in repurchase agreements. The increase in repurchase agreements to EUR 73 billion was in line with the policy of Fortis to optimize funding, capital consumption and securities allocation.

Due to customers. Due to customers increased EUR 37 billion from EUR 227 billion in 2004 to EUR 263 billion in 2005. The main driver was the increase in repurchase agreements of EUR 20 billion in line with Fortis's policy to optimize funding and capital consumption. The increase in deposits was mainly due to promotional and marketing campaigns in Belgium and households seeking safer products for investments after the stock market volatility of the recent years.

Risk weighted commitments. Risk-weighted commitments increased by 23% to EUR 212 billion as a result of an increase in weighted commitments related to credit risk and market risk. The increase in weighted commitments relating to credit risk is the result of the nature of the assets, where there was an increase of EUR 52 billion in due from customers from EUR 226 billion at year end 2004 to EUR 278 billion at year end 2005, primarily due to higher volumes in residential mortgages (EUR 8 billion), commercial loans (EUR 16 billion) and reverse repurchase agreements (EUR 24 billion). The increase in the risk weighted commitments related to market risk of EUR 4.5 billion is primarily due to the interest rate (EUR 3 billion) and the counterparty risk of the trading portfolio (EUR 1 billion).

Assets Under Management

The following table shows assets under management of Fortis at December 31, 2006, 2005 and 2004 by segment.

	Banking	Insurance	General (Incl. Eliminations)(1)	Total
		(EUR million)		
December 31, 2006				
Investments for own account:				
Debt securities	131,427	50,554	(669)	181,312
Equity securities	4,150	10,239	996	15,385
Real estate	600	2,447		3,047
Other	1,600	1,109	19	2,690
	137,777	64,349	308	202,434
Investments related to unit-linked contracts		28,865	(116)	28,749
Funds under Management:				
Debt securities	114,386	2,147		116,533
Equity securities	92,705	4,064		96,769
Real estate	773	2,801		3,574
Intercompany	(26,242)			(26,242)
	181,622	9,012		190,634
Total assets under management	319,399	102,226	192	421,817
December 31, 2005				
Investments for own account:				
Debt securities	129,718	46,089	(829)	174,978
Equity securities	3,393	8,448	817	12,658
Real estate	402	2,144		2,546
Other	1,801	1,110	(24)	2,887
	135,314	57,791	(36)	193,069
Investments related to unit-linked contracts	—	25,907	(240)	25,667
Funds under Management:				
Debt securities	101,727	2,970		104,697
Equity securities	79,812	2,603		82,415
Real estate	1,045	1,998		3,043
Intercompany	(25,661)			(25,661)
	156,923	7,571		164,494
Total assets under management	292,237	91,269	(276)	383,230
December 31, 2004				
Investments for own account:				
Debt securities	113,535	38,512	(484)	151,563
Equity securities	3,008	5,977	(39)	8,946
Real estate	365	1,939		2,304
Other	1,633	1,723	(1)	3,355
	118,541	48,151	(524)	166,168
Investments related to unit-linked contracts	—	16,936	(83)	16,853
Funds under Management:				
Debt securities	83,200			83,200
Equity securities	60,938			60,938
Real estate	891	1,111		2,002
Intercompany	(22,129)			(22,129)
	122,900	1,111		124,011
Total assets under management	241,441	66,198	(607)	307,032

(1) General consists of investments of the General sector (mainly Assurant shares) and eliminations of crossholdings of, among others, insurance companies' investments in Fortis Bank notes and Fortis shares.

2006 Compared to 2005

Assets under management increased by 10% from EUR 383 billion at December 31, 2005 to EUR 422 billion at December 31, 2006. Investments for own account (up EUR 9 billion), investments related to unit-linked contracts (up EUR 3 billion) and funds under management (up EUR 26 billion) contributed to the increase. Funds under management ended the year at EUR 191 billion, 16% higher compared with year-end 2005. Net inflow hit a record EUR 18 billion for the year, EUR 7 billion of which was attributable to Private Banking and EUR 11 billion at Fortis Investments. Growth at Private Banking was due chiefly to network expansion and effective cross-selling to Commercial Banking and Trust customers. Fortis Investments' substantial net inflows were the result of its strong focus on the diversification of distribution channels, with major successes among external institutional customers in countries like Italy, Spain, France and Germany.

2005 Compared to 2004

Assets under management increased by 25% from EUR 307 billion at December 31, 2004 to EUR 383 billion at December 31, 2005. The acquisitions of Millenniumbcp Fortis on the insurance side (EUR 7 billion of investments and investments for policy holders, and EUR 1 billion in funds under management at December 31, 2006) and Dryden, among other acquisitions, on the banking side (which increased funds under management by EUR 9 billion at December 31, 2006) contributed to the increase, as did the inflow of new funds under management (EUR 18 billion at December 31, 2006) and the appreciation of the value of assets under management due to decreasing interest rates and increasing stock market prices.

Funds Under Management by Roll Forward

The table below gives the roll forward of the Funds Under Management per segment from December 31, 2004 to December 31, 2005 and from December 31, 2005 to December 31, 2006.

	Retail Banking	Merchant Banking	Commercial & Private Banking	Other(1)	Inter company	Total
			(EUR million)			
Closing balance at December 31, 2004	89,569	248	52,311	4,012	(22,129)	124,011
In/out flow	12,532	(2)	3,319	3,037	(854)	18,032
Market gains/losses	8,489	(29)	5,307	618	(2,282)	12,103
Other(2)			8,890	1,854	(396)	10,348
Balance at December 31, 2005	110,590	217	69,827	9,521	(25,661)	164,494
In/out flow	10,920	(34)	6,871	(636)	(661)	16,460
Market gains/losses	3,867	77	3,890	718	84	8,636
Other(2)	2,729	(1)	(1,601)	(79)	(4)	1,044
Balance at December 31, 2006	128,106	259	78,987	9,524	(26,242)	190,634

(1) Other includes funds under management within the insurance segments as well as funds managed by operating companies reported in the "Other Banking" segment.

(2) Other includes the transfers between segments, the impact of acquisitions and divestments and the currency translation differences.

Net Interest Income

The change in total net interest income in 2006 and 2005 can be allocated as follows by the average rate and volume effects:

	Year Ended December 31, 2006	Year Ended December 31, 2005
	(EUR million)	
Change due to changes in average rates	(2,038)	337
Change due to changes in average balances	2,274	(280)
Change due to other interest on balance	198	70
Change in total net interest income	434	127

The following table sets forth certain information concerning the gross yield and the interest spread for Fortis's banking operations for the years indicated, including other interest on balance (mainly from hedging transactions via derivatives). Interest margin is presented for the bank as a whole due to certain intra-bank loans being funded by Merchant Banking with funds borrowed from external sources whereby the liabilities for Merchant Banking are not offset by interest income which is eliminated on such intra-company loans. The interest figures in the following table do not include interest related to non-accrual loans, the portion of interest that is not recognized on partially non-accruing loans or lending commissions income. Net interest income is not calculated on a tax-equivalent basis.

	Year Ended December 31,		
	2006	2005	2004
Gross Yield(1):			
Retail banking	5.4%	5.3%	5.3%
Merchant banking	5.2%	3.8%	3.3%
Commercial & Private banking	4.7%	4.2%	4.3%
Other banking	4.6%	4.6%	4.8%
Total	5.0%	4.2%	4.0%
Interest Spread(2):			
Retail banking	3.3%	3.4%	3.4%
Merchant banking	0.7%	0.5%	0.7%
Commercial & Private banking	2.1%	2.2%	2.5%
Other banking	0.6%	0.5%	0.8%
Total	1.2%	1.2%	1.4%
Interest Margin(3):			
Total Banking	1.1%	1.1%	1.3%

(1) Gross Yield is the average return on the interest bearing assets.

(2) "Interest spread" is the difference between the average interest rate earned on "average interest-earning assets" and the average interest rate paid on "average interest-bearing liabilities". See "*Selected Statistical Information — Average Balance Sheets and Interest Rates*".

(3) "Interest margin" is "net interest income" as a percentage of "average interest-earning assets".

Retail Banking

The following table sets forth selected income statement data for the Retail Banking segment for the periods indicated.

	Year Ended December 31, 2006	2005	2004	2006 vs. 2005 Change	2005 vs. 2004 Change
	(EUR million)				
Income Statement					
Net interest income	2,647	2,467	2,298	7%	7%
Net commissions and fees	1,362	1,092	939	25%	16%
Realized capital gains (losses)	11	63	27	(83)%	*
(Un)realized gains (losses)	44	43	25	2%	72%
Dividend and other investment income	18	16	13	20%	15%
Other income	724	513	(10)	41%	*
Total revenues	4,806	4,194	3,292	15%	27%
Change in provisions for impairment	(150)	(130)	(121)	15%	7%
Net revenues	4,656	4,064	3,171	15%	28%
Staff expenses	(1,249)	(1,111)	(1,033)	12%	8%
Other operating and administrative expenses	(523)	(385)	(314)	36%	22%
Allocated expenses(1)	(1,370)	(1,262)	(1,210)	9%	4%
Total expenses	(3,142)	(2,758)	(2,557)	14%	8%
Profit before income tax	1,514	1,306	614	16%	*
Income tax	(424)	(444)	(247)	(5)%	80%
Net profit before minority interests	1,090	862	367	26%	*
Minority interests				*	*
Net profit	1,090	862	367	26%	*

(1) The expenses from shared services are recorded in Other banking and allocated to the banking segments.

Activity-based(1)

	Year Ended December 31, 2006	2005	2006 vs. 2005 Change
	(unaudited) (EUR million)		
Net interest income on interest-margin products	2,647	2,467	7%
Capital gains on investment portfolio	11	63	(83)%
Treasury and financial markets	44	43	2%

(1) Information for 2004 not available.

Since the restatement from accounting view to activity based view primarily relates to different presentation of trading activities, the restatement does not impact the income statement of Retail Banking and Commercial & Private Banking because Retail Banking and Commercial & Private Banking do not have trading activities.

Retail Banking Key Performance Indicators

	Year Ended December 31,			2006 vs. 2005	2005 vs. 2004
	2006	**2005**	**2004**	**Change**	**Change**
Cost/Income ratio	65.4%	65.8%	77.7%	—	—
Operating leverage[1]	0.7%	19.5%			—
— # of FTEs	17,030	14,186	14,509	20%	(2)%
— # of Fortis Bank branches					
— Belgium	1,092	1,128	1,212	(3)%	(7)%
— Netherlands	159	163	171	(2)%	(5)%
— Luxembourg	37	37	37	0%	0%
— Turkey	211	174	—	21%	—
Funds under management (in EUR billions)	128	111	90	16%	23%

(1) Operating leverage is defined as the difference in the percentage growth in total revenues, prior to changes in provisions, and in total expenses.

2006 Compared to 2005

Revenues. Total revenues increased 15% to EUR 4,806 million in 2006 compared with EUR 4,194 million in 2005, due principally to higher net commissions and fees and an increased allocation of ALM results income as well as a 7% increase in net interest income. Net interest income and net commission and fees represented 83% of total revenues in 2006 compared to 85% of total revenues in 2005.

Net interest income for 2006 increased 7% compared to 2005, primarily due to acquisitions. Excluding the EUR 170 million impact of the consolidation of Consumer Finance Germany and Retail Bank Turkey, net interest income remained stable as margin pressure in the Benelux was largely offset by volume growth.

Customer deposits for total Retail Banking grew to EUR 91.2 billion, up EUR 6.3 billion or 7% from year-end 2005, with more than half of the rise realized in Belgium. Saving deposits became less attractive as a result of flattening yield curves, making short-term deposits with interest rates equal or higher then saving accounts more appealing. In addition, the continuous shift from saving deposits towards off-balance sheet products (investment funds) during the last 2 quarters of 2006 resulted in a slight decrease in the overall balance. Retail Banking Belgium posted a net intake of EUR 3.3 billion for 2006 in total deposits, mainly due to the success of time deposits (up EUR 3.1 billion), while at the same time recording EUR 1.6 billion inflow into off-balance products.

The mortgage portfolio grew EUR 7.4 billion (plus 15%) to EUR 56.7 billion in 2006. The bulk of the increase (upwards of EUR 4 billion) was attributable to mortgages in The Netherlands, which grew strongly especially in the first half of the year. In the last few months of the year, Retail Banking opted to pursue disciplined growth due to increasing margin pressure. Belgium contributed EUR 2.1 billion to the increase in the mortgage portfolio. After continuous margin pressure since the start of 2006, Retail Banking Belgium repriced its mortgage rates in Belgium during the month of September in order to stabilize and improve the margins while at the same time protecting its market share. The yield on the loan portfolio increased by 10 basis points; however the funding costs of Retail Banking increased by 30 basis points, reducing the interest spread during 2006 in Retail Banking from 3.4% in 2005 to 3.3% in 2006. The increase in volumes (Loans to customers +16%, Due to customers +8%) more then compensated for the lower interest spread.

Net commissions and fees rose 25% to EUR 1,362 million in 2006 compared with EUR 1,092 million in 2005. Excluding acquisitions, the increase was 19% above the 2005 level. The steep rise can be attributed to higher asset management fees in the Belgian distribution network, the strong performance of Fortis Investments (contributing EUR 93 million to the increase) and to the EUR 83 million result-related commission payment on insurance sales received from Fortis Insurance Belgium due to the transfer of FB Insurance to Fortis Insurance Belgium during 2006.

Fortis Investments had a very strong year, posting net profit of EUR 87 million in 2006, 64% higher than in 2005. Funds under management increased 15% year-on-year, to EUR 121 billion at the end of 2006. The increase in funds under management was due to Fortis Investment's continued expansion and enhancement of its investment and distribution capabilities in 2006. Significant investments in IT and staff were made towards the end of the year to support its growth strategy. In addition to setting up a new joint venture with CIT Finance in Russia, Fortis Investments acquired 70% of Cadogan Management LLC and combined its respective fund of hedge funds activities, as it sees strong demand across the customer base for this type of product.

Other income, which includes rental income, allocated income from ALM and miscellaneous other items increased 41% to EUR 724 million in 2006 compared with EUR 513 million in 2005, due principally to higher ALM results. These higher results were primarily due to higher capital gains on sale of equity holdings in Euronext, Banksys and Arcelor.

Profit before income tax. The change in provisions for impairments was 15% or EUR 20 million higher than in 2005, largely due to the acquisitions made in Turkey and Germany and a change in the method used to compute the IBNR for SME business in accordance with Basel II guidelines. Underlying credit provisioning remained low at 21 basis points.

The growth plans both in the core Benelux market and on a European scale impacted costs in the retail bank. Total expenses in 2006 were 14% higher than in 2005 increasing to EUR 3,142 million from EUR 2,758 million in 2005. Scope changes account for 50% of the EUR 138 million increase (+12%) in staff expenses (EUR 1,249 million in 2006 and EUR 1,111 million in 2005), with the balance made up by FTE transfers in Belgium and The Netherlands, higher staff costs at Fortis Investments due to new hiring and higher bonuses, only partly offset by a reversal of provisions in Belgium and The Netherlands.

Other operating and administrative expenses increased 36% to EUR 523 million in 2006, up EUR 138 million, or 17% excluding scope changes, reflecting investments in Consumer Finance, higher marketing costs in The Netherlands, and higher one-off expenses at Fortis Investments. Allocated expenses rose 9% to EUR 1,370 million in 2006 from EUR 1,262 million in 2005, mainly due to higher IT investments.

At the end of 2006 the number of FTE's stood at 17,030, a 20% increase on year end 2005. Included in this increase of some 2,844 FTE's is the effect of the transfers of Fortis Bank Turkey from Other Banking to the respective business lines of approximately 1,600 FTEs, with respect to the acquisition of Von Essen bank, 500 FTE's and the transfer of people from Central credit risk to the business line.

Net profit. Net profit passed the EUR 1 billion mark, improving to EUR 1,090 million for 2006, up 26% on 2005. This rise was due to the 15% income growth attributable to higher net commissions and fees, increased ALM income and a lower tax rate. The increase of 14% in total expenses, translated into a 65 basis-point operating leverage for 2006, despite heavy investments in growth. Excluding the consolidation of Consumer Finance Germany and Retail Bank Turkey (acquired beginning Q3 2005), total income growth (+11%) significantly outpaced cost growth (+6%), which was reflected in a 570 basis-point organic operating leverage. The cost/income ratio remained relatively stable improving to 65.4% in 2006 compared to 65.8% in 2005.

2005 Compared to 2004

Revenues. Total revenues increased 27% to EUR 4,194 million in 2005, driven by good underlying growth in net interest income and net commissions and fees, and higher Other income as a result of higher allocated ALM results and some one-off contributions such as the reimbursement of EUR 48 million from the deposit protection fund in Belgium. Net interest income and net commissions and fees represented 85% of total revenues in financial year 2005 and 98% for 2004.

Net interest income for 2005 rose to EUR 2,467 million, up 7% from 2004, due principally to a combination of higher volumes and a margin effect following the 25 basis-point repricing of the Belgian savings account rate on August 1, 2005. Customer deposits increased 7% to EUR 85 billion, while outstanding loans increased 15% to EUR 67 billion, mainly reflecting the growth in mortgages. In The Netherlands, the mortgage portfolio at Direktbank rose 42% to EUR 12.7 billion at year-end. Net interest income improved in the latter half of 2005 as the impact of the 25 basis-point reduction in the savings account rate which was implemented on August 1, 2005 took full effect.

The interest spread was substantially flat in 2005 compared to 2004 with an increase of 7 basis points. This was primarily due to the improvement in the average yield on loans to customers of 7 basis points and the decrease in the cost of amounts due to customers of 4 basis points (due to the termination of an additional interest loyalty bonus paid on certain savings accounts in Belgium).

Net commissions and fees increased to EUR 1,092 million, up 16% in 2005 compared to 2004. Successful marketing campaigns throughout 2005 boosted sales of asset management and life insurance products, resulting in higher commission and fee levels, offset in part by higher transaction fees when compared to 2004.

Fortis Investments results improved by 13% to reach EUR 53 million at the end of 2005 driven by higher performance fees due to good investment results. Funds under management increased by some 21% to reach

EUR 105 billion at the end of 2005, such gain due to market gains of EUR 9 billion and net new inflow of EUR 11 billion.

Realized capital gains and (un)realized gains (losses) rose to EUR 106 million in 2005, compared to EUR 52 million in 2004, driven mainly by the gain on the sale of real estate assets during 2005.

Other income rose sharply to EUR 513 million in 2005 from a loss of EUR 10 million in 2004 due to strong ALM results and a one-off reimbursement of EUR 48 million from the 'deposit protection fund' in Belgium. Other income in 2004 was also adversely impacted compared to 2005 due to Fortis not being able to retroactively apply hedge accounting.

Profit before income tax. The change in provisions for impairment increased by 7% to EUR 130 million in 2005 from EUR 121 million in 2004. This was chiefly the result of the enlarged scope of consumer finance activities and did not reflect a change in the underlying credit quality. The overall quality of the loan portfolio remained stable and impairments were relatively low due to the improving economy.

Total expenses were up 8% at EUR 2,758 million in 2005. This was caused mainly by the inclusion of ICS in Consumer Finance and the expansion plans of this business, rising staff expenses at Fortis Investments (due to hiring's and performance-related variable remuneration), and costs involved in upgrading the quality of management. Other operating and administrative expenses increased due to the inclusion of ICS and the various marketing campaigns and re-branding operations. Excluding the extensions of scope and the cost related to upgrading the quality of management, the underlying cost movements in the retail banking operations were in line with the 0-2% cost growth target announced in June 2005.

At the end of 2005, the number of FTEs stood at 14,186, a 2% decrease on year-end 2004. While Fortis Investments and Consumer Finance stepped up hiring in order to support their growth ambitions, the total number of FTEs declined due principally to continued efficiency focus in Belgium and The Netherlands.

To increase the focus on consumer lending the Consumer Finance Group was set up as a separate entity in 2005. ICS and Alpha Credit formed the largest part of the group with the scope to be gradually enlarged (e.g. regrouping of activities in Turkey). The acquisition of Von Essen, a German bank specialized in consumer finance, was announced at the end of 2005. Consumer Finance recorded net profit of EUR 71 million for 2005, a 9% increase on the previous year.

Due to the significantly greater growth in revenues compared to expenses, profit before taxation increased from EUR 614 million in 2004 to EUR 1,306 million in 2005.

Net profit. Net profit increased 135% to EUR 862 million in 2005 from EUR 367 million in 2004, due primarily to strong customer and sales growth in 2005 which boosted productivity and revenues. A 27% rise in total revenues and an 8% cost increase led to an operating leverage of 19.5%. The cost/income ratio fell 12 percentage points to 65.8%, although the overall improvement benefited from the adverse impact on total revenues from not applying hedge accounting in 2004.

Merchant Banking

Merchant Banking includes the following divisions: Corporate and Institutional Banking, Global Markets, Private Equity & Structured Finance and Global Securities and Funds Solutions. We monitor the profitability of each of these divisions.

The following table sets forth selected income statement data for the Merchant Banking segment for the periods indicated.

	Year Ended December 31, 2006	2005	2004	2006 vs. 2005 Change	2005 vs. 2004 Change
	(EUR million)				
Income Statement					
Net interest income	886	764	1,036	16%	(26)%
Net commissions and fees	561	459	487	22%	(6)%
Realized capital gains (losses)	128	318	37	(60)%	*
(Un)realized gains (losses)	910	527	(279)	73%	*
Dividend and other investment income	99	114	94	(13)%	21%
Other income	160	126	73	27%	73%
Total revenues	2,744	2,308	1,448	19%	59%
Change in impairment	116	107	(48)	8%	*
Net revenues	2,860	2,415	1,400	18%	73%
Staff expenses	(675)	(603)	(510)	12%	18%
Other operating and administrative expenses	(345)	(364)	(399)	(5)%	(9)%
Allocated expenses	(409)	(359)	(344)	14%	4%
Total expenses	(1,429)	(1,326)	(1,253)	8%	6%
Profit before income tax	1,431	1,089	147	31%	*
Income tax	(78)	(76)	120	3%	*
Net profit before minority interests	1,353	1,013	267	34%	*
Minority interests	5	6	1	(17)%	*
Net profit	1,348	1,007	266	34%	*

Activity Based(1)

	Year Ended December 31, 2006	2005	2006 vs. 2005 Change
	(unaudited) (EUR million)		
Activity-based			
Net interest income on interest-margin products	796	705	13%
Capital gains on investment portfolio	83	111	(25)%
Treasury and financial markets	1,045	793	32%

(1) Information for 2004 is not available.

Merchant Banking Key Performance Indicators

	Year Ended December 31, 2006	2005	2004	2006 vs. 2005 Change	2005 vs. 2004 Change
Cost/Income ratio	52.1%	57.5%	86.5%		
Operating leverage(1)	11.1%	53.6%	—		
Net profit per FTE (in EUR)(2)	287,175	248,449	69,604	16%	*
— # of FTEs	4,694	4,056	3,817	16%	6%

(1) Operating leverage is defined as the difference in the percentage growth in total revenues, prior to changes in provisions and in total expenses.

(2) Period average.

2006 Compared to 2005

Revenues. Total revenues amounted to EUR 2,744 million in 2006, up 19% compared to 2005, attributable to a 24% growth in commercial loans, increased cross-selling and an improved performance in trading and private equity.

Merchant Banking's fast-growing niches such as Energy, Commodities & Transportation ("**ECT**"), Structured Products and Securities Financing continued to strengthen their leading positions in the Benelux and expanded across Asia and North America. These niches became increasingly important to the growth of Merchant Banking in 2006 and now represent more than 50% of total revenues. Services to hedge funds and other institutional investors generated 27% of total revenues, ECT generated 19% of total revenues and structured products and complex financing solutions for financial institutions accounted for 9%.

Net interest income increased by 16% from EUR 764 million in 2005 to EUR 886 million in 2006. Net interest income is impacted by the IFRS treatment of unrealized gains on trading derivatives that are divided between net interest income and unrealized gains/losses (clean fair value) (market value less interest accrued). Because tradings positions in derivatives change considerably year on year, net interest income related thereto is also affected by such changes. To better explain the development in interest margin, the interest is analyzed on the activity based presentation. Net interest income on interest-margin products increased 13% to EUR 796 million in 2006 compared to EUR 705 million in 2005, as higher volumes more than offset lending margin pressure. Commercial loans increased 24% to EUR 56 billion compared with the end of 2005, with growth stemming mainly from ECT activities, Real Estate, Retail and Services sectors and from Institutional Banking. Net interest income also benefited from interest-related income on several transactions in the Metals, Shipping, Energy and Chemicals sectors. Global Securities & Funds Solutions recorded a sharp rise in net interest income on the back of its clients' portfolio growth and high turnover. Likewise, robust activity and higher financing requirements of professional counterparties benefited Clearing & Custody. The average margin on commercial loans remained under pressure throughout the year due to strong competition in a benign credit environment. Although the interest margins on loans to customers are under pressure, Merchant Banking increased the overall interest spread by 20 basis points to 70 basis points compared to 2005 due to the growth in loans to customers (relative higher margins) and a reduction in loans to banks (relatively low margins).

Net commissions and fees rose 22% to EUR 561 million in 2006 compared to EUR 459 million in 2005 due principally to robust client activity and higher cross-selling results. Assets under custody (+18% to EUR 313 billion) and assets under administration (+42% to EUR 123 billion) both posted strong volume growth.

Capital gains on the investment portfolio were EUR 83 million, 25% lower than in the previous year. Higher capital gains realized on the Private Equity portfolio failed to match last year's gains in ECT and Corporate Banking.

Treasury and financial markets income grew by 32% to EUR 1,045 million in 2006, supported by strong client activity and buoyant capital markets. Securities lending and arbitrage activities contributed EUR 313 million to this revenue line, predominantly in the second quarter, due mainly to higher trading volumes. Private Equity also had a very good year, as its portfolio gained EUR 207 million on revaluation. Marking-to-market of Merchant Banking's credit hedge portfolio, however, had a negative impact of EUR 87 million as credit spreads almost halved in the second half of 2006. Other miscellaneous factors unrelated to trading contributed EUR 15 million to Treasury and financial markets income.

In addition to the revenue from securities lending, private equity, credit hedging and others, Treasury and financial markets revenue was EUR 597 million, earned on trading and funding positions at Global Markets. This level of revenue should be viewed in conjunction with the effective tax rate as the structure of trading results strongly influences the balance between Treasury & financial markets revenue and tax expense. The trading results in both years had a large impact on the corporate income tax due to the recognition of tax exempt gains and realized tax losses. This reduced the tax rate to 5% in 2006 (2005: 7%). With a diversified mix of activities, all performed better than in 2005. The average daily Value at Risk (VaR) climbed from EUR 14.4 million in 2005 to EUR 24.9 million in 2006, remaining at a relatively low level, close to Fortis's historical average VaR.

Profit before income tax. The change in impairments amounted to a reversal of EUR 116 million for 2006, up 8% over the EUR 107 million reversal in 2005. Substantial provisions were released, in line with improved financial positions of counterparties or repayment of credit facilities. The continued low level of loan impairments reflects the quality of the bank's loan portfolio and the sustained benign credit environment.

Total expenses increased 8% to EUR 1,429 million in 2006 compared with EUR 1,326 million in 2005, resulting in operating leverage of 11%. More than 70% of this rise was due to staff hiring. While the average number of FTEs grew by 16%, staff expenses increased only 12% year-on-year as an extraordinary charge was taken in the fourth quarter of 2005 for upgrading the quality of management. Excluding this charge, staff expenses would have been completely in line with the growth in the average number of FTEs. Other operating and administrative expenses grew by 4% in 2006 compared to 2005, due primarily to integration costs and higher IT investment aimed at supporting future growth. The cost/income ratio for 2006 was 52.1%, a 5 percentage point improvement over 2005.

As a result of the foregoing, profit before income tax increased 31% from EUR 1,089 million in 2005 to EUR 1,431 million in 2006.

Net profit. Taxation at Merchant Banking is heavily influenced by the structure of trading results, as gains and losses on the various financial instruments are subject to different tax treatments. The low effective tax rates in 2006 (5%) and 2005 (7%) reflect the composition of trading results, with large tax-exempt gains and tax-deductible losses. Conversely, reported trading revenues would appear inflated in years with few tax-exempt gains and tax-deductible losses, but this would be entirely offset by higher tax expenses. As previously mentioned, Merchant Banking's trading positions are managed on an after-tax basis and the structure of trading results ultimately has no impact on net profit.

Net profit increased 34% to EUR 1,348 million in 2006. This increase was mainly due to the 19% rise in total income to EUR 2,744 million, resulting in 11% operating leverage. All businesses benefited from sustained commercial activity, generating a strong 24% growth in commercial loans, increased cross-selling and an exceptional performance in trading and private equity.

2005 Compared to 2004

Revenues. Total revenues for 2005 amounted to EUR 2,308 million, up 59%. This increase was attributable to strong trading results, high capital gains and overall robust commercial activity. The improvement was also due to the impact of hedge accounting not retroactively applied to 2004, which impacted the other realized and unrealized gains and losses and other income.

Net interest income declined by 26% in 2005 to EUR 764 million from EUR 1,036 million in 2004. The high volatility of the net interest income was generated by unrealized gains on trading derivatives that are divided between net interest income (accrued and cash interest) and unrealized and realized gains/losses (clean fair value) (market value less interest accrual). Margin erosion was due to a further flattening of the yield curve as well as a reduction in credit spreads. Despite the overall decline of net interest income at Merchant Banking, net interest income increased 8% in Corporate Banking and Specialized Finance, where increased loan volume more than offset pressure on net interest margin. Overall the impact of the foregoing factors resulted in a decrease in the interest spread of Merchant Banking by 20 basis points, from 70 basis points in 2004 to 50 basis points in 2005.

Excluding significant releases in provisions for impairments on loans, total revenues from Corporate and Institutional Banking and Specialized Finance increased 30%, on higher capital gains but also on higher income from the loan portfolio. Volume growth of total average outstanding assets more than offset declining margins.

Net commissions and fees decreased 6% to EUR 459 million in 2005 compared to EUR 487 million in 2004 due to higher fees paid by Global Markets to distribution partners, partly compensated by an increase in net commissions from strong business development. Assets under custody increased 39% in 2005 to EUR 266 billion, 28% of which came from net new inflow. Funds under administration increased by 14% in 2005 to EUR 73 billion, more than half of which stemmed from new funds.

Realized capital gains increased EUR 281 million to EUR 318 million in 2005 mainly due to the sale of the bond portfolio. These gains were partially offset by negative valuation of underlying derivatives, reported under (un)realized gains (losses).

Other (un)realized gains (losses) reversed from a EUR 279 million loss in 2004 to a EUR 527 million gain in 2005. A portion of this was attributable to the application of hedge accounting in 2005. It was also due to Global Markets strongly rebounding from poor proprietary trading in 2004. Trading results were strong, backed by higher equity trading results and a favorable performance delivered by the fixed income business. Due to a favorable mix in trading results, a tax benefit was recorded. Positive revaluations of participating interests in the Global Private Equity portfolio also contributed to the growth in (un)realized gains in 2005.

Profit before income tax. The change in impairment was a reversal of EUR 107 million compared to a charge of EUR 48 million in 2004. The reversal was due to the return to health of a number of clients. The low level of loan impairments which continued in 2005 reflected the quality of the bank's loan portfolio and the sustained benign credit environment.

Total expenses increased by 6% in 2005; this increase was in line with the strategic plans and underlying business development. Staff expenses rose 18% to EUR 603 million due to provisions for variable compensation and new hiring; investments in upgrading the quality of management, and the reclassification of certain Employee Benefits expenses from Other operating expenses to Staff expenses.

Total FTEs were up 6% to 4,056 at the end of 2005 compared to 3,817 at the end of 2004. Other operating and administrative expenses and allocated expenses declined by 3% from EUR 743 million in 2004 to EUR 723 million in 2005. This decline was primarily attributable to the reclassification mentioned above. Although expenses increased, due to favorable market conditions and significant growth in revenues which outpaced the growth in expenses, the cost/income ratio declined from 86.5% in 2004 to 57.5% in 2005. The very favorable change in cost/income ratio is partly attributable to the impact on revenues for 2004 as a result of Fortis not being able to apply hedge accounting in that year.

As a result of the foregoing, profit before income tax grew significantly from EUR 147 million in 2004 to EUR 1,089 million in 2005.

Net profit. Due to the asymmetrical treatment of equity securities and derivatives on equities in Belgium (results on equities are tax exempt and the results on derivatives are taxed) the composition of the result realized in the trading position has an impact on the income taxes. In 2004 Fortis realized taxable losses on derivatives compensated by tax exempt gains on equities. This resulted in 2004 in a net tax benefit while in 2005 the same effect resulted in an effective tax rate of 7%.

Net profit for 2005 rose to EUR 1,007 million, nearly four times the net profit recorded in 2004. Double-digit growth in net profit was achieved at all businesses. The main contributors were Corporate and Institutional Banking and Specialized Finance although Global Markets and Private Equity also contributed.

Commercial & Private Banking

The following table sets forth selected income statement data for the Commercial & Private Banking segment for the periods indicated.

	Year Ended December 31, 2006	2005	2004	2006 vs. 2005 Change	2005 vs. 2004 Change
	(EUR million)				
Income Statement					
Net interest income	1,190	1,031	935	16%	10%
Net commissions and fees	843	702	615	20%	14%
Realized capital gains (losses)	11	16	20	(31)%	(20)%
(Un)realized gains (losses)	85	62	48	37%	29%
Dividend and other investment income	46	39	31	18%	26%
Other income	327	238	89	37%	*
Total revenues	2,502	2,088	1,738	20%	20%
Change in impairment	(137)	(153)	(65)	(10)%	*
Net revenues	2,365	1,935	1,673	22%	16%
Staff expenses	(721)	(566)	(483)	27%	17%
Other operating and administrative expenses	(373)	(277)	(309)	35%	(10)%
Allocated expenses	(406)	(446)	(323)	(9)%	38%
Total expenses	(1,500)	(1,289)	(1,115)	16%	16%
Profit before income tax	865	646	558	34%	16%
Income tax	(194)	(186)	(137)	4%	36%
Net profit before minority interests	671	460	421	46%	9%
Minority interests	0	0	0		*
Net profit	671	460	421	46%	9%

Activity-based[(1)]

	Year Ended December 31, 2006	2005	2006 vs. 2005 Change
	(unaudited) (EUR million)		
Activity-based			
Net interest income on interest-margin products	1,190	1,031	15%
Capital gains on investment portfolio	11	16	(31)%
Treasury and financial markets	85	62	37%

(1) Information for 2004 is not available.

Commercial & Private Banking Key Performance Indicators

	Year Ended December 31, 2006	2005	2004	2006 vs. 2005 Change	2005 vs. 2004 Change
Cost/Income ratio	60.0%	61.7%	64.2%		
Operating leverage[(1)]	3.5%	4.5%			
— number of FTEs	8,024	6,119	5,419	31%	13%
Fund under management (in EUR billion)	79.0	69.8	52.3	13%	33%

(1) Operating leverage is defined as the difference in the percentage growth in total revenues, prior to changes in provisions, and in total expenses.

2006 Compared to 2005

Revenues. Total revenues increased by 20% to EUR 2,502 million in 2006 compared to EUR 2,088 million in 2005, driven by higher levels of net interest income, net commissions and fees and other income. Net interest income rose to EUR 1,190 million, up 16% on 2005 with 10% of such growth due to organic growth. 80% of the non-organic growth resulted from the integration of the Turkish activities (Commercial Banking, Lease and Factoring) and the remainder was generated by the Dryden, Dreieck and Atradius Factoring acquisitions completed in late 2005 or early 2006.

Net interest income at Commercial Banking increased 12% to EUR 745 million in 2006 compared to EUR 663 million in 2005, with EUR 29 million attributable to the Turkish operations. Credits and deposits contributed equally to the organic growth of net interest income. 8% volume growth in loans to customers was spread across all countries. Ongoing competitive pressure slightly depressed margins compared with 2005. The interest spread decreased as a result of these trends by 10 basis points to 210 basis points compared to 220 basis points in 2005. On the deposit side, the rise in short-term rates adversely affected margins and the product mix in the second half of the year, although the effect on net interest income was compensated for by volume growth.

Private Banking net interest income advanced 14% to EUR 180 million in 2006 compared with EUR 158 million in 2005. Higher net interest income on Private Banking deposits in 2006 was due to continued organic volume growth. Credits provided to High Net Worth Individuals rose EUR 2 billion to EUR 6.8 billion (+40%), with nearly all countries contributing.

Volume growth at all Commercial & Private Banking businesses more than compensated for slightly narrowing credit margins. On the deposit side, volumes in time deposits and highly remunerated current accounts increased considerably in the last quarter, partly due to a shift out of savings, though at significantly lower margins.

This resulted in lower quarterly net interest income on deposits at Private Banking, while overall volume growth compensated for the lower margin at Commercial Banking. Fortis Lease saw net interest income remain at a high level, benefiting from vigorous activity towards the end of the year.

Net interest income at Specialised Financial Services increased 28% to EUR 212 million in 2006 compared to EUR 166 million in 2005, with all sub-businesses (Trust, Leasing, Factoring and Global Trade Finance) contributing to growth. This result was driven by strong commercial developments (illustrated by a 22% organic growth in the leasing portfolio), acquisitions (Fortis Turkey in Leasing and Factoring, Dreieck in Leasing and Atradius in Factoring) and lower hedging and funding costs at Trust.

Net commissions and fees increased 20% to EUR 843 million in 2006 from EUR 702 million in 2005, 11% of which was attributable to organic growth. The Dryden and Atradius acquisitions contributed to this strong performance. Fees from securities transactions rose to EUR 201 million in 2006 from EUR 139 million in 2005 due to higher turnover. Commercial & Private Banking had a very strong first half, followed by seasonably lower volumes in the third quarter which picked up again in the fourth quarter in line with higher market volumes and rising equity markets. Total client turnover at Fortis Commercial Finance (Factoring) increased 31% to EUR 34.4 billion in 2006. Trust saw the number of structures managed grow by 2% to 22,465 in 2006, despite losing 201 accounts due to a small disposition.

Other revenues increased due to the allocation of higher ALM results, driven by higher capital gains on shares.

Funds under management at Private Banking rose to EUR 79 billion in 2006, 13% higher than in 2005. Ongoing efforts to expand the Private Banking network combined with successful cooperation with Commercial Banking and Fortis Intertrust resulted in a net inflow of EUR 7 billion in 2006 compared to EUR 3.3 billion in 2005. Referrals from Commercial Banking more than doubled, yielding EUR 1.5 billion in net inflow. Due to Private Banking's international strategy, more than half of net inflow was generated outside the Benelux, with 27% of new money coming from Asia and 26% from Europe (outside the Benelux). Despite last year's integration, the former Dryden entities acquired in the fourth quarter of 2005 managed to retain funds under management at EUR 8 billion, stable with 2005.

Total expenses increased 16% to EUR 1,500 million in 2006 from EUR 1,289 million in 2005. A significant portion of the increase was due to the acquisition of Dryden (consolidated only as of the last quarter of 2005) and Dişbank (Fortis Turkey, consolidated from the first quarter of 2006). Organically, cost growth compared to revenue growth remained low at 6% despite investments in the expansion of the Commercial & Private Banking network.

Staff expenses increased 27% to EUR 721 million in 2006 compared to EUR 566 million in 2005. Most of this increase was attributable to the acquisitions made in late 2005 and early 2006. Excluding expenses attributable to acquisitions, staff expenses increased by 3%, although the number of FTEs (excluding acquisitions) grew by 7%. The lower level of staff expense can be attributed to one-off costs in the fourth quarter of 2005 for upgrading the quality of management and a release of provisions for pension schemes in The Netherlands in 2006. Commercial & Private Banking employed a total of 8,024 FTEs at the end of 2006, representing 31% growth.

Other operating and administrative expenses increased 35% in 2006 to EUR 373 million from EUR 277 million in 2005, with organic growth accounting for 22%. Nearly half of the increase in organic cost growth was due to higher external staff, training and consultancy expenses, about one third was due to one-off factors, and the remainder came from intensified marketing, advertising and public relations efforts. The faster growth in revenues resulted in a reduction in the cost/income ratio from 61.7% in 2005 to 60.0% in 2006 and operating leverage in 2006 of 350 basis points.

As a result of the increase in revenues and slower growth in expenses, profit before income tax increased 34% in 2006 to EUR 865 million from EUR 646 million in 2005.

Net profit. Net profit for 2006 was EUR 671 million, up 46% on 2005. The effective tax rate was 22% for 2006, 7% lower than in 2005. This decrease was due chiefly to one-off tax benefits which arose during the course of the year. With organic cost growth of 6%, organic operating leverage stood at 9%.

2005 Compared to 2004

Revenues. Total revenues increased by 20% in 2005 to EUR 2,088 million, due mainly to 10% organic growth and selective add-on acquisitions which resulted in higher levels of net interest income and net commissions and fees. The impact of hedge accounting in 2005 compared to 2004 is less significant in this business unit.

Net interest income increased 10% to EUR 1,031 million in 2005 from EUR 935 million in 2004, attributable to strong revenue growth in asset-backed financing and treasury-related products. This is in line with the 11% loan growth and 10% increase in average risk-weighted commitments. The traditional credit portfolio, however, experienced some margin erosion, with interest spread falling 20 basis points. Margin erosion was offset in part by increased volume as the broad range of services, reinforced by selective acquisitions and the expansion of our business centre network, together generated both more frequent and more profitable complex deals.

Specialized Finance's total average outstanding assets increased by 23% over 2005, mainly driven by Commodities, Intermodal & Logistics and Export & Project Financing. Net interest income increased by 19% in the same period, with average net interest margins declining slightly by 5 basis points. Average outstanding assets at Corporate Banking (excluding Institutional Banking) increased by 14%.

Net commissions and fees amounted to EUR 702 million in 2005, up 14% over 2004. This growth was generated by higher funds under management, the successful launch of new products (e.g. structured products, real estate funds, yacht and aircraft services), the rise in the number of Trust structures under administration and increased cross-selling and add-on acquisitions (Dryden and Fundamentum).

Funds under management at Private Banking increased by 33% to EUR 69.8 billion at the end of 2005. The additional EUR 17.5 billion can be broken down into EUR 3.3 billion from net intake (6% growth), EUR 8.9 billion from acquisitions (mainly Dryden) and EUR 5.3 billion related to market performance.

Other revenue items recorded overall growth of 89% in 2005, with higher unrealized capital gains, dividend and other investment income as well as a higher allocation of the results from ALM in other income.

Profit before income tax. The change in impairment was significantly above the 2004 level: EUR 153 million charge in 2005 compared to EUR 65 million charge in 2004. The increase was partially due to refinement of the underlying parameters applied in the calculation of the IBNR and major recoveries in 2004 which lowered the overall provision in that year. The burn rate stood at 45 basis points over 2005 compared to 21 basis points in 2004, a level considered normal across the cycle.

Total expenses rose 16% to EUR 1,289 million in 2005 from EUR 1,115 million in 2004, as they included not only investments in the Commercial & Private Banking network (new Business Centers), service offering and staff, but also non-recurring charges related to the restructuring of Dryden (EUR 23 million) and costs of the management quality upgrade (EUR 28 million).

The total number of FTEs at Commercial & Private Banking reached 6,119 at the end of 2005, up 13% (or 700 FTEs), due to the hiring of 325 FTEs and the integration of staff coming from Dryden and Atradius Factoring. As a result principally of the non-recurring charges referred to in the preceding paragraph, the cost/income ratio decreased from 64.1% in 2004 to 61.7% in 2005.

Despite the increase in the change in impairments, for the reasons noted above, profit before income tax increased 16% to EUR 646 million in 2005 from EUR 558 million in 2004.

Net profit. Notwithstanding a higher change in provisions for impairments, higher tax rate, non-recurring charges and investments for growth, total net profit was 9% higher year-on-year, at EUR 460 million in 2005 compared to EUR 420 million in 2004. The tax charge increased due to the relative higher tax rate on the allocated ALM results.

Other Banking

Other Banking includes all Shared Service activities and the corporate functions of Banking, ALM, Fortis Hypotheekbank (the vehicle that sells mortgages through the broker channel) and Belgolaise. Income from ALM and Shared Services related expenses are allocated to banking business lines (which explains why other income items are negative and allocated expenses are positive).

A number of major changes have significantly affected the comparison of 2006 and 2005 figures. The 2005 figures included Fortis Bank Turkey's total revenues and expenses as of the third quarter whereas the 2006 figures include only Turkish income and costs relating to Other Banking. Fortis Bank Turkey is now fully accounted for in the applicable banking business lines. Belgolaise's total revenues and expenses, also, have been included for the first time in 2006, as have facility-related costs which are re-invoiced to Insurance. The costs of the Credit risk department of Central Risk Management, previously included in total expenses, were charged directly to the businesses in 2006.

The following table sets forth selected income statement data for Other Banking for the periods presented.

	Year Ended December 31, 2006	2005	2004	2006 vs. 2005 Change	2005 vs. 2004 Change
	(EUR million)				
Income Statement					
Net interest income	363	391	257	(7)%	52%
Net commissions and fees	(2)	37	78	*	(53)%
Realized capital gains (losses)	426	315	432	35%	(27)%
(Un)realized gains (losses)	300	173	(708)	73%	*
Dividend and other investment income	124	90	87	38%	3%
Other income (including allocations)[1]	(939)	(605)	108	55%	*
Total revenues	272	401	254	(32)%	58%
Change in impairment	13	(33)	26	*	*
Net revenues	285	368	280	(23)%	31%
Staff expenses	(980)	(1,090)	(937)	(10)%	16%
Other operating and administrative expenses[2]	(1,449)	(1,207)	(1,358)	20%	(11)%
Allocated expenses	2,185	2,067	1,877	6%	10%
Total expenses	(244)	(230)	(419)	6%	(45)%
Profit before income tax	41	138	(139)	(70)%	*
Income tax	4	(28)	63	*	*
Net profit before minority interests	45	110	(76)	(59)%	*
Minority interests	5	5	12	0%	59%
Net profit	40	105	(88)	(62)%	*

(1) For an explanation of the allocation of revenues and expenses between the segments see "— *Segment Reporting*".

Activity-based[1]

	Year Ended December 31, 2006	2005	2006 vs. 2005 Change
	(unaudited) (EUR million)		
Activity-based			
Net interest income on interest-margin products	454	370	23%
Capital gains on investment portfolio	426	307	39%
Treasury and financial markets	209	202	4%

(1) Information for 2004 not available.

2006 Compared to 2005

Revenues. In the activity-based income statement, net interest income for 2006 recorded an increase to EUR 454 million, up EUR 84 million or 23% compared to 2005. This increase is attributable to the investment of the cash proceeds of Fortis Bank's sale of FB Insurance to Fortis Insurance which pushed up net interest income from the second quarter of 2006 onwards an increased mismatch (expressed by equity duration), higher short-term interest rates and increased volumes. Lower margins on Fortis Hypotheekbank's mortgage portfolio depressed overall net interest income

Capital gains on the investment portfolio increased EUR 118 million to EUR 425 million in 2006. The gains realized in 2005 predominately derived from the sale of bonds, whereas the gains in 2006 were mainly realized on the sale of the equity holdings in Euronext, Banksys, Arcelor and a few smaller holdings. Treasury and Financial Markets were stable year-on-year as the positive impact of non-qualifying hedges of

EUR 180 million was off set by early repayment penalties on intercompany loans (EUR 91 million) and changes in the value of derivatives.

Profit before income tax. The annual change in impairments improved EUR 46 million due to a lower level of impairments at Fortis Hypotheekbank and releases at Belgolaise Bank.

Staff expenses and other operating and administrative expenses increased EUR 132 million in 2006 compared to 2005 reflecting lower staff expenses offset by higher operating and administrative expenses. Staff expenses decreased by EUR 110 million in 2006 from EUR 1,090 million in 2005 to EUR 980 million in 2006. The most important factors behind this fall were the transfer of the department of Credit Risk of Central Risk Management to Credits to the business and lower restructuring provisions in 2006 compared to the provision made in 2005, offset by the centralization of the Legal and Compliance team within Shared Services and the transfer of the Facilities team of the Insurance business in The Netherlands, (whose costs are re-invoiced). Excluding the effects of the above transactions, staff expenses increased EUR 14 million (1.7%), owing to normal wage drift offset by FTE savings due to improved efficiency.

Other operating and administrative expenses increased EUR 242 million to EUR 1,449 million in 2006 compared with EUR 1,207 million in 2005. EUR 140 million of this increase is due to the inclusion in 2006 of the Facilities costs of Fortis Insurance Netherlands, (which are re-invoiced) and the non-recurrence of the releases in 2005 of provisions relating to Belgolaise and other group companies. Excluding these costs, other operating and administrative expenses rose EUR 102 million. By far the most important element was the increase of EUR 88 million at Information Systems and Technology that, being demand led, continues to invest in the banking and infrastructure systems of both businesses and support services.

As a result of the foregoing, profit before income tax declined to EUR 41 million in 2006 compared to EUR 138 million in 2005.

Net profit. Net profit for 2006 was EUR 40 million, a 62% decrease compared to 2005. This decrease was attributable mainly to lower results of Fortis Hypotheekbank (Fortis's mortgage selling vehicle), which were adversely effected by penalty interest of EUR 91 million due to an early redemption of fundings.

2005 Compared to 2004

Revenues. Total revenues increased from EUR 254 million in 2004 to EUR 401 million in 2005. In 2004 the numbers for Fortis Bank Asia, GWK and International card services were included; in 2005 the first two were sold and the last one was transferred to Retail Bank. Fortis Bank Turkey has been included in Other Banking as of the third quarter of 2005.

Profit Before income tax. Profit before income tax increased significantly from a EUR 139 million loss in 2004 to EUR 138 million in 2005 due to the reclassification of activities as discussed above.

Net profit. Net profit before results on divestments in Other Banking in 2005 increased from a loss of EUR 88 million in 2004 to EUR 105 million, as the profit contributed by Fortis Turkey more than offset the adverse effects of the reallocation of International Card Services to Retail Banking, the sale of GWK and Fortis Bank Asia and the adverse impact on other realized and unrealized gains and losses and income tax expense as a result of hedge accounting not having been applied in 2004.

Fortis Bank Turkey (previously Dişbank), consolidated in the second half of 2005, contributed EUR 35 million to net profit. Its total revenues amounted to EUR 182 million, of which the main components were net interest income of EUR 115 million and commissions of EUR 36 million. Total expenses stood at EUR 142 million. In the fourth quarter of 2005 Fortis began a rebranding campaign, for which a one-off charge of EUR 17 million was taken. In 2006, Fortis has continued to develop the franchise in Turkey by opening 40 new branches, in line with the aim to have around 300 branches by 2009.

Insurance

The following table sets forth selected financial information for Fortis's consolidated insurance operations for the periods indicated. For purposes of this presentation, a number of customary insurance performance indicators are chosen. A reconciliation of these figures to the Fortis income statement is provided in Note 51 of the Notes to the 2006 Consolidated Financial Statements incorporated by reference herein. These are only presentation changes and have no impact on net profit.

	Year Ended December 31, 2006	2005	2004	2006 vs. 2005 Change	2005 vs. 2004 Change
	(EUR million)				
Life					
— Gross earned premiums	9,147	8,256	6,609	11%	24%
— Investment contracts without DPF	2,978	3,225	1,455	(8)%	*
Gross inflow[(1)]	12,125	11,481	8,064	6%	41%
Gross written premiums Non-Life	5,033	4,775	4,636	5%	3%
Technical result					
— Life	638	691	577	(8)%	20%
— Non-Life	573	537	389	7%	38%
Allocated capital gains	206	206	151	0%	36%
Operating margin[(2)]	1,417	1,434	1,117	(1)%	28%
— Life	811	858	706	(5)%	22%
— Non-Life	606	576	411	5%	40%
Non-allocated other income and charges	434	298	534	46%	(44)%
Profit before income tax	1,851	1,732	1,651	7%	5%
Income tax	(390)	(473)	(369)	(18)%	28%
Minority interests	41	34	10	21%	*
Net profit	1,420	1,225	1,272	16%	(4)%
— Life	924	748	710	24%	5%
— Non-Life	496	477	340	4%	40%
— Other			222		(99)%
Operating costs[(3)]	(1,341)	(1,256)	(1,423)	7%	(12)%

(1) Under IFRS certain insurance products are treated as investment contracts (non-participating investment contracts) and premiums received are treated as policyholder deposits and not reported in the income statement. Management believes that gross inflow is, therefore, a better indication of the total business written by the insurance business during the applicable periods.

(2) Operating margin consists of the technical result plus the capital gains that are allocated to policyholders.

(3) Operating costs include general expenses, including claim handling costs, but excluding deferred acquisition costs and investment-related costs.

The following table sets forth the aggregate of (i) gross inflow (life) and (ii) gross written premiums (non-life) and profit before income tax and minority interests by business line for Fortis's consolidated insurance operations for each of the periods indicated.

	Gross Inflow/Gross Written Premiums			Profit Before Income Tax		
	Year Ended December 31,			Year Ended December 31,		
	2006	2005	2004	2006	2005	2004
			(unaudited) (EUR million)			
Insurance Belgium	6,744	6,444	5,400	698	685	665
Insurance Netherlands	5,380	4,603	4,628	810	751	610
Insurance International	5,034	5,209	2,645	343	296	165
Other Insurance (including eliminations)	—	—	89	—	0	212
Total	17,158	16,256	12,762	1,851	1,732	1,652

Insurance Key Performance Indicators

	Year Ended December 31 2006	2005	2004	2006 vs. 2005 Change	2005 vs. 2004 Change
— # of FTEs	13,106	13,083	12,937		
Operating leverage(1)	(4.3)%	17.6%			
Life:					
New business life — APE (in EUR million)	1,336	1,279	922	4%	39%
Non-Life total:					
Claims ratio	61.2%	61.3%	65.1%		
Expense ratio	34.9%	34.7%	33.9%		
Combined ratio	96.1%	96.0%	99.0%		
Non-Life Property & Casualty(2):					
Claims ratio	59.1%	58.8%	60.7%		
Expense ratio	39.3%	38.3%	39.6%		
Combined ratio	98.4%	97.1%	100.3%		
Non-Life Accident & Health(3):					
Claims ratio	65.9%	66.9%	72.0%		
Expense ratio	24.7%	26.3%	25.3%		
Combined ratio	90.6%	93.2%	97.3%		

(1) Operating leverage is defined as the difference in the percentage growth of operating margin excluding operating costs and in the percentage growth in operating costs.

(2) Property & Casualty includes insurance operations covering property damage and liability claims.

(3) Accident & Health covers insurance operations related to medical cost, illness and disability claims.

European Embedded Value

As part of its 2006 results, Fortis published the Embedded Value ("**EV**") of its life insurance business in accordance with the European Embedded Value ("**EEV**") principles established by the CFO Forum of European insurance companies. In complying with EEV, Fortis has adopted a market consistent methodology and now publishes a Market Consistent Embedded Value ("**MCEV**"). EV of life insurance operations provides additional information on the value of the in-force contracts and the value of new business being written. EV excludes any value attributable to future new business but provides an estimate of the expected profits to emerge from a book of life insurance business. The changes in a company's EV from year-to-year provides a measure of the profitability of the company's life insurance business.

The 2006 figures have been calculated in accordance with the EEV principles. The transition to MCEV reporting, which started in 2005, has now been completed. The Value Added by New Business ("**VANB**") is calculated applying the same Market Consistent approach as used for calculating the total EV.

In 2006, Fortis also completed the transition of aligning internal core Risk and Value applications including Economic capital, Embedded Value and ALM and the migration to a market consistent methodology. This effort reflects Fortis desire to value and manage its business on an economic basis. Fortis now uses integrated processes with a single platform for stochastic analysis used for a range of risk management purposes including Economic Capital and ALM. This framework allows a bottom-up approach where the market value of each asset and liability is calculated at model point level, and includes, amongst others, an allowance for Cost of Financial Options and Guarantees.

	(EUR million) (unaudited)
Embedded Value year-end 2004	9,738
Impact European Embedded Value	429
Model changes	(38)
Acquisition Millenniumbcp Fortis	319
European Embedded Value beginning 2005	10,448
Accrual during the year	1,133
Accrued value year-end 2005	11,581
Dividend payment to Fortis	(751)
Embedded Value year-end 2005	10,830
Opening adjustment[1]	(208)
Accrual during the year	2,898
Accrued value year-end 2006	13,521
Dividend payment to Fortis	(1,214)
Embedded Value year-end 2006	12,307

(1) Opening adjustment: reflects changes as a result of completing transition to aligning internal models

Value added by new business — Traditional Methodology

The following tables set forth certain measurements applied in determining the value of new business added by each of Fortis' insurance business segments.

	PVNBP[1]			VANB[2]			New Business Margin[3]	
	2006	2005	Change	2006	2005	Change	2006	2005
	(unaudited) (EUR million, except %)							
Insurance Belgium[4]	4,760	4,837	(2)%	240	164	46%	5.04%	3.39%
Insurance Netherlands	2,051	2,044	0%	50	45	11%	2.42%	2.22%
Insurance International	3,705	3,346	11%	84	91	(8)%	2.26%	2.72%
Insurance Total	10,516	10,227	3%	373	300	24%	3.55%	2.94%

	PVNBP[1]			VANB[2]			New Business Margin[3]	
	2005	2004	Change	2005	2004	Change	2005	2004
	(unaudited) (EUR million, except %)							
Insurance Belgium	4,837	3,626	33%	164	134	22%	3.39%	3.70%
Insurance Netherlands	2,044	2,207	(7)%	45	55	(18)%	2.22%	2.50%
Insurance International	3,346	1,861	80%	91	28	*	2.72%	1.50%
Insurance Total	10,227	7,694	33%	300	216	39%	2.94%	2.82%

(1) PVNBP = present value new business premiums.

(2) VANB = value added by new business.

(3) New business margin is the value added by new business as a percentage of the present value of new business premiums.

(4) Insurance Belgium on a look through basis; result related commission between Fortis Insurance Belgium and Fortis Bank.

2006 Compared to 2005

Net profit for 2006 increased 16% to EUR 1,420 million (2005 EUR 1,225 million), with Life net profit increasing 24% to EUR 924 million (2005: EUR 748 million) and Non-Life net profit rising 4% to EUR 496 million (2005 EUR 477 million). At Life, higher investment income and higher capital gains, partly offset by the result-related commission paid to Retail Banking in Belgium, was principally responsible for the 11% increase in pre-tax results to EUR 1,161 million as reflected in the segment reporting in the financial statements. A lower effective tax rate owing to a more favorable capital gains mix further contributed to the rise in net profit. Non-Life technical results increased 7%. Higher technical results in the Dutch Accident & Health market and better results at Motor more than compensated for lower results at Fire. The increase in net profit at Non-Life before results on divestments was in line with higher technical results.

Operating costs increased 7% in 2006, owing to business expansion, acquired distribution skills and integration expenses. Operating costs in The Netherlands remained virtually stable, while volumes grew. In Belgium, operating costs increased as a result of the integration of Fortis AG and FB Insurance. Operating costs of the international activities were also higher as Fortis Insurance continued to pursue its international growth strategy and Outright (acquired by Fortis UK) was included for the full year.

2005 Compared to 2004

Net profit decreased 4% to EUR 1,225 million. A 40% rise in the Non-Life net profit before results on divestments, to EUR 477 million, and a 5% improvement in net profit at the Life businesses, to EUR 748 million, more than compensated for the absence of profit contribution by Assurant following its divestment (but which remained partially consolidated in 2004 under 'Other').

Operating costs declined 12% to EUR 1,256 million in 2005 compared to EUR 1,423 million in 2004. Excluding Assurant, operating costs were up 13% year-on-year due to the inclusion of Millenniumbcp Fortis, costs related to the integration of the Dutch insurance operations, charges taken in the fourth quarter for upgrading the quality of management, the inclusion of Outright, development of the UK brokerage activities, and development of our International activities.

Life

The following table sets forth certain technical information with respect to the life insurance business for the periods indicated. The information set forth below has been extracted from the reconciliation of Technical Accounts in Note 51 to Notes to the 2006 Consolidated Financial Statements incorporated by reference herein.

Technical result Life

	Year Ended December 31,		
	2006	2005	2004
		(EUR million)	
Gross earned premiums	9,147	8,256	6,609
Ceded reinsurance earned premiums	(56)	(50)	(43)
Financial result and capital gains allocated to technical result	4,690	5,496	3,132
Fee income	145	123	70
Other income	11	67	48
Total income	13,937	13,892	9,816
Benefits and surrenders, gross	(5,733)	(4,366)	(3,943)
Reinsurers' share of benefits and surrenders	137	206	23
Change in liabilities arising from insurance and investment contracts including unit-linked contracts	(6,151)	(7,685)	(4,041)
Reinsurers' share of change in liabilities	(115)	(170)	(326)
Profit sharing	(316)	(199)	(89)
Total technical charges	(12,178)	(12,214)	(8,376)
Commission expenses	(532)	(364)	(362)
Change in deferred acquisition costs and VOBA	(79)	(121)	(64)
Administrative expenses	(519)	(510)	(442)
Reinsurance commissions and profit participation	9	8	5
Total operating expenses	(1,121)	(987)	(863)
Technical result Life Insurance before taxation	638	691	577

2006 Compared to 2005

Gross inflow at Life increased by 6% in 2006 to EUR 12,125 million (EUR 9,147 of gross earned premiums and EUR 2,978 million of revenues from investment contracts) from EUR 11,481 million in 2005 (EUR 8,256 million of gross earned premiums plus EUR 3,225 million of revenues from investment contracts), benefiting from an exceptionally large group life contract in The Netherlands in the fourth quarter involving EUR 710 million. Excluding this contract, growth in The Netherlands (3%) and Belgium (4%) was offset by lower inflows in Portugal, resulting from the decision to favor returns over volumes in that country. Life technical result in 2006 declined 8% to EUR 638 million from EUR 691 million in 2005. The main reason for this decline was due to higher commission expenses, including payment of a EUR 75 million result related commission to Retail Bank. As allocated capital gains remained the same in 2006 and 2005 (EUR 206 million) life operating margin also declined by 5% in 2006.

2005 Compared to 2004

Gross inflow at Life in 2005 increased by 42% to EUR 11,481 million (EUR 8,256 million of gross earned premiums and EUR 3,225 million of revenues from investment contracts) from EUR 8,123 million in 2004 (EUR 6,609 million of gross earned premiums and EUR 1,455 million of revenues from investment contracts) due to the better technical result and higher allocated capital gains (EUR 206 million in 2005 and EUR 151 million in 2004). Almost two-thirds of the EUR 3.4 billion increase was due to the consolidation of Millenniumbcp Fortis as of January 2005. The remainder is principally attributable to a 23% increase in Belgium, which had record fourth-quarter sales. Excluding the sale of Assurant and the acquisition of Millenniumbcp Fortis, gross inflow would have increased by 18% due to the aforementioned strong sales in Belgium and double-digit growth rates in Luxembourg and France.

Life technical result in 2005 increased by 20% to EUR 691 million from EUR 577 million in 2004. The operating margin at Life improved in 2005 by 22% to EUR 858 million. Although all business contributed to both increases, more than half of it was due to better investment margins in Belgium. The performance of Millenniumbcp Fortis and the return to profitability in France were also responsible for this upward trend.

Insurance Life — European Embedded Value and value added by new business

The Embedded Value of life insurance operations provides additional information on the value of the contracts in force and the value of new business.

2006 Compared to 2005

After taking into account opening adjustments, the Embedded Value before dividends increased by 27% to EUR 13.5 billion from a restated opening value of EUR 10.6 billion as of the end of 2005. This increase is mainly driven by a strong Value Added by New Business (VANB) up 24%, compared to last year and higher investment returns due to higher interest rates and strong growth in shares values which returns were higher than the assumptions in the model.

After the dividend payment to Fortis, Embedded Value was EUR 12.3 billion at year-end 2006.

2005 Compared to 2004

The Embedded Value increased by 19% to EUR 11.6 billion, including EUR 0.7 billion due to the move to market consistent valuation and the acquisition of Millenniumbcp Fortis. On a “like-for-like” basis (i.e. excluding Millenniumbcp Fortis and after the impact of the move to market consistent valuation), the growth would have been 11%.

VANB together with the release of modeled profits and the positive variance between the actual and modeled investment income more than offset the negative impact of lower investment income due to lower investment assumptions.

After the dividend payment to Fortis, EV reached EUR 10.8 billion at year-end 2005.

Insurance Life — Value added by new business

2006 Compared to 2005

The VANB is calculated applying the same Market Consistent approach as used for calculating the total EV. The volume of new Life business is measured by the (market consistent) Present Value of New Business

Premiums ("**PVNBP**"). In order to allow for comparison, the VANB and PVNBP 2006 were calculated applying the traditional method. The traditional method is based on cash flows using real world investment return assumptions and discounted at a discount rate of 7.2% which is the ten year risk free return plus 300 basis points equity risk premium. On a traditional basis the VANB increased by 24% from EUR 300 million in 2005 to EUR 373 million in 2006 driven mainly by higher volumes at Insurance International and higher average margins. The higher margins are due mainly to an increase in investment margins at Insurance Belgium funded from the risk premium on shares and property. Although these increases in margins are not recognized up front under the market consistent approach, the market consistent VANB increases further to EUR 377 million or 26% higher compared to 2005, because of other adjustments, notably the reduction in the cost of capital. The overall New Business margin under the market consistent methodology was 3.33%.

2005 Compared to 2004

In line with our strategy to focus on profitable growth, VANB in 2005 grew substantially faster than new sales, resulting in a 12 basis-point increase in the new business margin to 2.94%. The increase in business margin was due to a higher proportion of sales generated through the Banking channel in Belgium, the contribution of and significantly improved margins at Insurance International which included the initial contribution of Millenniumbcp Fortis.

Non-Life

The following table sets forth certain technical information with respect to the Non-Life insurance business for the periods indicated. The information set forth below has been extracted from the reconciliation of Technical Accounts in Note 51 to the 2006 Consolidated Financial Statements incorporated by reference herein.

	Year Ended December 31,		
	2006	2005	2004
	(EUR million)		
Gross earned premiums	4,936	4,788	4,546
Ceded reinsurance earned premiums	(508)	(624)	(625)
Financial results and capital gains allocated to technical result	318	292	295
Other income	73	65	59
Total income	4,819	4,521	4,275
Claims paid, gross	(2,678)	(2,471)	(2,379)
Reinsurers' share of claims paid	276	299	235
Change in liabilities arising from contracts	(273)	(316)	(468)
Reinsurers' share of change in liabilities	(20)	(57)	63
Claim handling expenses	(197)	(182)	(180)
Total technical charges	(2,892)	(2,727)	(2,729)
Commission expenses	(885)	(827)	(798)
Change in deferred acquisition costs and VOBA	26	(4)	7
Reinsurers' share of change in deferred acquisition costs and VOBA	8	2	
Administrative expenses	(626)	(564)	(486)
Reinsurance commissions and profit participation	123	136	120
Total operating expenses	(1,354)	(1,257)	(1,157)
Technical result Non-Life insurance, before taxation	573	537	389
Technical result Non-Life business of Other insurance			22
Total	573	537	411

2006 Compared to 2005

Gross written premiums at Non-Life increased 5% to EUR 5,033 million in 2006 compared to EUR 4,775 million. This growth reflects higher volumes at International and Belgium, which more than compensated for a slight decline in The Netherlands resulting from the decision not to participate in the price war in medical expenses insurance. All product segments contributed to year-on-year volume growth. Sustained above-market growth rates in Belgium and the successful affinity marketing strategy in the UK pushed up gross earned premiums at Property & Casualty by 4% in 2006. Gross earned premiums at Accident & Health were 3% higher in 2006 compared to 2005, benefiting from strong healthcare growth in Belgium and commercial campaigns for health products in Portugal.

Non-Life operating margin improved 5% to EUR 606 million in 2006 from EUR 576 million in 2005. The improvement in operating margin was in line with the Non-Life technical result which rose 7% to EUR 573 million in 2006 compared to EUR 537 million in 2005, mainly due to volume growth and a stable combined ratio of 96.1%. The increase was attributable to Accident & Health and Motor in The Netherlands, which more than compensated for lower results at Fire. The Dutch Accident & Health line had an exceptionally strong combined ratio of 82.5%, primarily the result of selective underwriting and a benign claims environment. For Fortis as a whole, the combined ratio for Property & Casualty increased only slightly from 97.1% in 2005 to 98.4% in 2006, with better technical results at Motor failing to fully offset the higher claim frequency at Fire. Fortis Corporate Insurance continued its strong underwriting performance. As a result of the foregoing, net profit grew 4% to EUR 496 million in 2006 from EUR 477 million in 2005.

2005 Compared to 2004

Gross written premiums at Non-Life increased 3% (excluding gross written premiums of EUR 503 million at Assurant in 2004). All product lines in Belgium and International contributed to this rise. The 6% decrease in gross written premiums at Non-Life in The Netherlands was due to a stricter acceptance policy at Motor (— 9%) and an amendment in Accident & Health legislation, resulting in a repayment of premiums (−7%), including reimbursement of premiums already collected.

The operating margin at Non-Life increased by 40% to EUR 576 million in 2005, reflecting sharply higher technical results (+38% to EUR 537 million in 2005), particularly at Insurance Netherlands and Insurance International. All product lines contributed to this improvement.

The combined ratio for Non-Life improved by 300 basis points to 96.0% in 2005. Both principal segments — Property & Casualty and Accident & Health — contributed to the reduction in the ratio. This improvement can be attributed to a favorable claims environment in terms of frequency and severity and a lower expense ratio.

The following tables set forth the technical result of Fortis's non-life operations by business line and principal product line for the periods indicated.

	Accident and Health	Property & Casualty Motor	Property & Casualty Fire	Property & Casualty Other	2006 Total
		(EUR million)			
Insurance Netherlands	192	38	27	15	272
Insurance Belgium	39	54	30	6	129
Insurance International	12	57	65	38	172
Other Insurance	0	0	0	0	0
Total	243	149	122	59	573

	Accident and Health	Property & Casualty Motor	Property & Casualty Fire	Property & Casualty Other	2005 Total
		(EUR million)			
Insurance Netherlands	146	18	39	20	223
Insurance Belgium	47	62	29	1	139
Insurance International	16	53	67	39	175
Other Insurance	0	0	0	0	0
Total	209	133	135	60	537

	Accident and Health	Property & Casualty Motor	Fire	Other	2004 Total
		(EUR million)			
Insurance Netherlands	138	14	22	(9)	165
Insurance Belgium	27	59	36	5	127
Insurance International	4	31	59	3	97
Other Insurance	9	0	0	13	22
Total	178	104	117	12	411

Insurance Investments

The following table sets forth the carrying amount of the components of the investment portfolio of Fortis's insurance operations at the dates indicated. Land and buildings are valued at cost less depreciation and impairments. Equity securities, debt securities and investments related to unit-linked contracts are valued at market value at the end of the relevant period. See Note 19 of the Notes to the 2006 Consolidated Financial Statements incorporated by reference in this Prospectus.

	At December 31, 2006	2005	2004
	(EUR million)		
Land and buildings	2,447	2,144	1,939
Equity securities	10,239	8,448	5,978
Debt securities and other fixed-income securities	50,553	46,090	38,512
Investments in equity associates and joint ventures	548	476	1,119
Other investments(1)	560	633	604
Subtotal	64,347	57,791	48,152
Investments related to unit-linked contracts	28,865	25,907	16,936
Total investments	93,212	83,698	65,088

(1) Includes participations in investment pools, excluding investments in associates and joint ventures.

The following table sets forth the direct income from investments (excluding realized capital gains) of the Fortis insurance operations by asset category for the years indicated. See the Consolidated Financial Statements incorporated by reference in this Prospectus.

	Year Ended December 31, 2006 Income	2006 Pre-Tax Yield(1)	2005 Income	2005 Pre-Tax Yield(1)	2004 Income	2004 Pre-Tax Yield(1)
	(EUR million, except %)					
Land and buildings	263	11.5%	258	12.6%	252	13.1%
Equity securities	270	2.9%	226	3.1%	180	3.1%
Debt securities and other fixed-income securities	2,095	4.3%	1,903	4.5%	1,674	4.3%
Investments in equity associates and joint ventures	112	21.9%	82	10.4%	156	22.5%
Other investments(2)	262	—	253	—	250	—
Subtotal	3,002	4.9%	2,722	5.1%	2,512	5.2%
Investments for account of policyholders(3)	1,949	7.1%	3,255	15.2%	1,129	6.2%
Total income investments(4)	4,951	5.6%	5,977	8.0%	3,641	5.5%

(1) Pre-tax yield is calculated using interest, rental, dividend and other income received for each period, divided by the average of beginning and year-end balances on related assets. It does not include realized capital gains (other than under "Investments for account of policyholders").

(2) Includes income from participations in investment pools and Interparking.

(3) Any revaluation of shares that belong to this category is taken to the profit and loss account as investment income for account of policyholders, including realized and unrealized revaluations of shares.

(4) Equal to the sum of "investment income" and "realized/unrealized gains on investments on behalf of policyholders".

In 2006, income from investments of Fortis's insurance operations decreased to EUR 4,951 million from EUR 5,977 million in 2005. Income in all asset categories held in the Fortis general account increased with a pre-tax yield of 4.9% in 2006 compared to 5.1% in 2005. Investments related to unit-linked contracts in 2006 decreased by EUR 1,306 million from EUR 3,255 million in 2005 to EUR 1,949 million in 2006. This decrease was due to the negative revaluation of bonds due to interest rate increases not fully compensated by increased equity revaluations.

In 2005, income from investments of Fortis's insurance operations increased to EUR 5,977 million from EUR 3,651 million in 2004. All investments categories increased. Income from investments related to unit-linked contracts, which is fully attributable to policyholders, increased by EUR 2,126 million, to EUR 3,255 million in 2005 from EUR 1,129 million in 2004 due to decreasing interest rates resulting in unrealized gains on bonds and improved equity market conditions.

Insurance Belgium

The following tables set forth selected summary financial information for Insurance Belgium for the periods indicated.

	Year Ended December 31,			2006 vs. 2005	2005 vs. 2004
	2006	2005	2004	Change	Change
	(EUR million, except %)				
Gross inflow					
Life[1]	5,474	5,280	4,300	4%	23%
Non-Life	1,270	1,164	1,100	9%	6%
Operating costs	(378)	(348)	(447)	9%	22%
Technical result	453	537	462	(16)%	16%
Life	324	398	335	(19)%	19%
Non-Life	129	139	127	(7)%	9%
Operating Margin[2]	607	622	548	(2)%	13%
Life	456	477	405	(5)%	18%
Non-Life	151	144	143	5%	1%
Non-allocated other income and expense	91	63	117	44%	(46)%
Profit before taxation	698	685	665	2%	3%
Income Tax	(141)	(190)	(187)	(26)%	2%
Minority interests	4	7	6	(43)%	17%
Net profit	553	488	472	13%	3%
Operating leverage[3]	(7.0)%	7.5%	N.A.		

(1) Under IFRS certain insurance products are treated as investment contracts (non-participating investment contracts) and premiums received are treated as policyholder deposits and not reported in the income statement. Gross inflow is, therefore, a better indication of the total business written by the insurance business during the applicable periods.

(2) Operating margin consists of the technical result plus the capital gains that are shared with the policyholders.

(3) Operating leverage is defined as the difference in the percentage growth in operating margin plus operating cost and in the percentage of growth in operating cost.

2006 Compared to 2005

Gross inflow at Life increased 4% (EUR 5.5 billion in 2006 compared to EUR 5.3 billion in 2005) and at Non-Life 9% (EUR 1.3 billion in 2006 compared to EUR 1.2 billion in 2005). According to the latest market estimates published by the Belgian insurance association Assuralia, Fortis Insurance Belgium's market share in individual life advanced from 20% in 2005 to 28% in 2006, while its non-life market share grew from 13% to 14%.

Operating margin decreased by 2% or EUR 15 million to EUR 607 million due to the result related commission payable to Retail Bank of EUR 87 million for the first time in 2006, not fully compensated by higher allocated capital gains of EUR 69 million.

Operating costs rose by 9% due to volume growth and expenses related to the integration of Fortis AG and FB Insurance which was sold to Insurance Belgium by Fortis Bank in the third quarter of 2006. Volume growth also drives the increase in the number of FTEs from 5,003 to 5,182. The number of FTEs employed by Fortis Insurance Belgiums subsidiary Interparking, which is part of Fortis Real Estate, grew by 76 as a result of acquisitions in Spain and new car parks at German railway stations following a deal with Deutsche Bahn. The number of FTEs employed by the insurance operations went up by 103, in line with hiring targets set to accommodate the business's ongoing strong growth.

Net profit at Fortis Insurance Belgium was EUR 553 million in 2006, an increase of 13% compared with 2005. Net profit increased despite the EUR 83 million result-related commission paid to Fortis Retail Bank, introduced in 2006. This amount was more than offset by higher net capital gains and a lower tax rate (due to the capital gains mix).

2005 Compared to 2004

Life recorded solid growth in gross inflow (EUR 5.3 billion in 2005 compared to EUR 4.3 billion in 2004) supported by very strong fourth-quarter inflow. This substantial increase in the latter part of 2005 was due to sales which accelerated into this period to avoid a 1.1% premium tax effective from January 1, 2006. Non-Life premiums increased 6% to EUR 1.2 billion in 2005. The growth in non-life was ahead of the market generally, primarily due to the success of Health Fortis and its entry into a number of large group contracts.

Total operating margin increased 14% to EUR 622 million in 2005 from EUR 548 million in 2004, which can be fully attributed to the 18% rise in the Life operating margin as a result of higher volumes, investment returns and capital gains. The improved financial market performance in 2005 had a significant impact on the life operating results in 2005.

Operating costs decreased 22% to EUR 348 million in 2005, compared to EUR 447 million in 2004. The number of FTEs totaled 5,003 at the end of 2005, 3% lower than at December 31, 2004.

Net profit for 2005 increased 3% to EUR 488 million as the 9% improvement in Life was offset by the decrease in Non-Life.

Insurance Belgium — Life

	Year Ended December 31,			2006 vs. 2005	2005 vs. 2004
	2006	2005	2004	Change	Change
	(EUR million)				
Gross earned premiums	4,353	4,139	3,669	5%	13%
Investment contracts without DPF	1,121	1,141	631	(2)%	81%
Gross inflow	5,474	5,280	4,300	4%	23%
Technical result	324	398	335	(19)%	19%
Allocated capital gains	132	80	70	65%	15%
Operating margin	456	478	405	(5)%	18%
Non-allocated other income and charges	74	67	98	10%	(32)%
Profit before income tax	530	545	503	(3)%	8%
Income tax	(93)	(147)	(139)	(37)%	6%
Minority interests	3	6	4	(50)%	50%
Net profit	434	392	360	11%	9%
Life:					
New business life — APE	511	494	417	3%	18%

The following table sets forth certain information regarding premiums received by Insurance Belgium's life business.

	Year Ended December 31,		
	2006	2005	2004
	(EUR million)		
Regular premiums	1,191	1,567	1,572
Single premiums	3,164	2,571	2,096
Annualized premium equivalent (APE)	511	494	417
Value added by new business (VANB)(1)	189	164	134

(1) Market consistent approach excluding result related commissions to Fortis Bank.

2006 Compared to 2005

Revenues. Gross inflow at Life increased 4% to EUR 5,474 million in 2006 compared to EUR 5,280 million in 2005. Total inflow was split between individual life insurance, EUR 4,570 million, representing 83% of total inflow, and EUR 904 million in group life in 2006 compared to EUR 4,347 million in individual life insurance, representing 82% of total inflow and EUR 933 million in group life in 2005.

New production, expressed as Annual Premium Equivalent (APE) increased to EUR 511 million, 3% higher than in 2005. The APE for individual unit-linked business grew by 18% and remained stable in individual non-unit-linked business. Group life APE increased by 17% compared with last year. Funds under management rose 9% to EUR 38.5 billion at the end of 2006 compared to EUR 35.3 billion at the end of 2005.

Individual life insurance inflow in 2006 represented a 5% increase over 2005. This increase is in contrast with a decline in inflow experienced by the Belgian individual life insurance market in 2006. According to Assuralia's latest estimates, the total individual life market in Belgium contracted by 22% in 2006. Anticipation of a 1.1% premium tax on most individual life insurance contracts to be introduced in 2006, caused inflow in the market in the final quarter of 2005 to increase materially as described above, consequently depressing inflow in 2006. Fortis Insurance Belgium overcame this market trend, recording higher inflow in 2006 than in 2005. The growing appetite for our successful 0%-guarantee products and our innovative product development — combining unit-linked and traditional features — both contributed to this strong performance.

Total individual life inflow through the bank channel increased by 2% to EUR 3,103 million in 2006, of which EUR 145 million was sold through Bank van De Post. New products introduced in 2005 and 2006, such as Target Invest Plan and Planning for Pension, represented 20% of total bank channel inflow in 2006. The broker channel accounted for EUR 1,467 million of life insurance inflow in 2006, up 10% compared to 2005.

Sales of individual unit-linked contracts advanced 8% to EUR 1,067 million in 2006, with sales through the bank channel growing by 5% and through the broker channel by 20%. 12% of the total inflow from unit-linked contracts was generated by products offering a minimum capital guarantee. Inflow in individual traditional life — insurance products with a guaranteed interest rate — rose by 3% to EUR 3,504 million in 2006, mostly driven by the broker channel. Fifty-five per cent of the new traditional business in the broker channel offers a 0% interest rate guarantee.

Group life insurance inflow decreased by 3% to EUR 904 million in 2006 compared to EUR 933 million in 2005, mainly due to product reclassification. According to the Assuralia 2006 Annual Report, the Belgian group life market expanded only by 0.5% in 2006 (including first pillar group life insurance results). Fortis Insurance Belgium's growth in group life was mainly driven by second-pillar insurance which recorded year-on-year growth of 8%. FBI's growth rate was higher than the overall second pillar market growth of 7%. Second pillar insurance is the market for pensions on top of the state pension plan, taken out by companies for their employees. With a market share of 22%, Fortis Insurance Belgium is the leader in group life second-pillar insurance. Despite the sluggish growth of the group life market in 2006, we are confident about this business's strong long-term growth potential.

Profit before income tax. The technical result at Life decreased by 19% to EUR 324 million in 2006 from EUR 398 million in 2005, due to the payment of the result-related commission to the bank channel following the transfer of FB Insurance to Insurance Belgium, which was only partly offset by a gain related to the completion of a real estate development project. Excluding the internal commission paid to Fortis Retail Bank, the technical result in 2006 remained stable compared with 2005. Higher allocated capital gains increased the operating margin to EUR 456 million in 2006, down 4% in 2005. Excluding the result-related commission, the operating margin grew by 11%. Profit before income tax decreased 3% to EUR 530 million in 2006 from EUR 545 million in 2005.

Net Profit. Net profit for Insurance Belgium Life was EUR 434 million in 2006 compared to EUR 392 million in 2005. The increase in net profit (in contrast to the decline in technical results) was due to lower income tax (EUR 93 million in 2006 and EUR 147 million in 2005) due to the nature of the realized capital gains which were not taxable.

2005 Compared to 2004

Revenues. Gross inflow at Life increased 23% to EUR 5,280 million in 2005 compared to EUR 4,300 million in 2004, mainly due to the success of new or recently introduced products in 2005 (Planning for Pension, Top Invest plan, structured unit-linked contracts, Ascento, Top Rendement Invest). Both the banking and broker distribution channels performed favorably, contributing two-thirds and one-third to the increase in gross inflow, respectively. The banking channel recorded a 27% increase in gross inflow to EUR 3,148 million in 2005, driven by several commercial campaigns at Fortis Bank. The broker channel also posted strong growth of 19% to EUR 2,131 million in 2005.

APE amounted to EUR 494 million (2004: EUR 417 million). Single premium production grew by 23%, which contributed to the 18% increase in APE.

Both channels benefited from the anticipation by customers of tax changes that came into effect as of January 2006. Consequently, sales increased significantly in the fourth quarter and gross inflow also benefited from a summer campaign at Fortis Bank.

Gross earned premiums at the traditional Life business rose 13% to EUR 4.1 billion in 2005. The bulk of this increase came from Individual Life, which advanced 15% to EUR 3,177 million in 2005. Group Life premiums also increased by 7% to EUR 962 million in 2005 due to a broader product offering: Ascento, a product used to capture lump sum payments made in connection with maturing pensions, continued its strong growth pattern, collecting inflow of EUR 67 million in 2005, while flexible products (e-volulife) grew 10%.

Interest in unit-linked contracts accelerated in the fourth quarter, bringing total inflow in 2005 to EUR 1,126 million, an 81% rise compared with 2004. Such increase is principally attributable to the strong financial markets in 2005, which made these products more attractive.

Life insurance funds under management increased 13% to EUR 38 billion.

Net profit before income tax. Staff expenses rose only 5% to EUR 216 million in 2005, including the costs related to the upgrade of the management program, and other expenses were well under control and grew by 1% to EUR 210 million in 2005.

The Life operating margin rose by 18% to EUR 478 million as both the technical result, up 19% on higher investment margin, and capital gains, up 15% to EUR 80 million, were higher than in 2004.

Net Profit. Net profit Insurance Life was EUR 392 million in 2005 compared to EUR 360 million in 2004. The increase in net profit was principally due to the improved technical result.

Insurance Belgium Life — Embedded Value and value added by new business

	2006	2005	2004
		(unaudited) (EUR million)	
EEV before dividend payment	5,406	4,405	4,214
VANB	240	164	134
PVNBP	4,760	4,837	3,626

2006 Compared to 2005

The EV (after opening adjustments and before dividends) of Insurance Belgium rose 36% to EUR 5,406 million in 2006 compared with EUR 4,405 million in 2005. Measured on a traditional basis VANB increased by 46% to EUR 240 million in 2006 from EUR 164 million in 2005 principally due to higher average margins. The higher margins were due mainly to an increase in investment margins attributable to a change in investment mix, more shares and property. PVNBP decreased by 2% to EUR 4,760 million primarily due to lower PVNBP in Group Life. New business margin (VANB divided by PVNBP) was 3.66% in 2006 and 3.39% in 2005.

2005 Compared to 2004

The EV (before dividends) of Insurance Belgium rose 10% to EUR 4,405 million in 2005. The bancassurance business grew by 17%, while the broker business grew by 4%. VANB (measured on a traditional basis) increased by 22% to EUR 164 million in 2005 from EUR 134 million in 2004. PVNBP advanced 33% to EUR 4,837 million due to growth in written premiums. The new business margin declined by 31 basis points to 3.39%. This was due to a drop in the margin in unit-linked contracts from 3.63% to

2.72% as a result of lowered expected future appreciation of unit-linked funds. Excluding the unit-linked business, the margin dropped 12 basis points to 3.57%, mainly due to changes in assumptions regarding slightly lower expected interest rates and investment margins.

Insurance Belgium — Non-Life

	Year Ended December 31,			2006 vs. 2005 Change	2005 vs. 2004 Change
	2006	2005	2004		
	(EUR million)				
Gross written premiums	1,269	1,164	1,100	9%	6%
Technical result	129	139	127	(7)%	9%
Allocated capital gains	22	5	16	*	(69)%
Operating margin	151	144	143	5%	1%
Non-allocated other income and charges	17	(4)	19	*	*
Profit before income tax	168	140	162	20%	(14)%
Income tax	(48)	(43)	(48)	12%	(11)%
Minority interests	1	1	1		0%
Net profit	119	96	113	24%	(15)%
Non-Life total:					
Claims ratio	61.6%	60.2%	61.0%		
Expense ratio	37.4%	36.9%	37.4%		
Combined ratio	99.0%	97.1%	98.4%		
Property & Casualty:					
Claims ratio	52.7%	52.3%	51.3%		
Expense ratio	43.1%	42.2%	42.4%		
Combined ratio	95.8%	94.5%	93.7%		
Accident & Health:					
Claims ratio	83.3%	79.8%	85.7%		
Expense ratio	23.6%	23.6%	24.8%		
Combined ratio	106.9	103.4%	110.5%		

The following table shows gross premiums written by product line for the Insurance Belgium Non-Life business for the periods indicated.

	Year Ended December 31,			2006 vs 2005 Change	2005 vs 2004 Change
	2006	2005	2004		
	(EUR million)				
Accident & Health	366	331	309	11%	7%
Property & Casualty	903	833	791	8%	5%
Total	1,269	1,164	1,100		

2006 Compared to 2005

Gross written premiums at Non-Life increased by 9% to EUR 1,269 million in 2006 from EUR 1,164 million in 2005 due to strong growth at Accident & Health, mainly due to large group health contracts, and to Fire because of the introduction of compulsory natural disaster cover. Insurance Belgium's growth rate was more than double the market which, according to Assuralia's latest statistics, expanded by just over 4% in 2006.

Non-Life business distributed through the banking channel grew by 10% to EUR 212 million in 2006 compared to EUR 193 million in 2005.

Accident & Health experienced strong growth, as premium income increased by 11% to EUR 366 million in 2006 mainly due to large group health contracts. Growth of 12% at Fire — ending the year with an inflow of EUR 400 million - was largely due to the introduction of compulsory natural disaster cover. Excluding this factor, underlying growth in the Property & Casualty segment was 5% in 2006 compared to 2005.

Non-Life business sold through the broker channel grew by 7% to EUR 1,057 million. Our strong relationship with the broker community, reflected in the excellent results of the ICMA broker satisfaction survey, helped us to maintain healthy growth without sacrificing our underwriting or pricing criteria. Our innovative product offering, including flexible multi-cover concepts such as Familis and Modulis, sustained a solid growth rate. There were nearly 330,000 Familis policies, with an average of 2.3 contracts each, at the end of 2006, a 26% increase compared with 2005. The Modulis concept aimed at the SME market represented more than 52,000 contracts, 20% more than in 2005, with the average number of contracts at 3.7. We strengthened our product offering with the introduction of insurance packages aimed at the specific needs of targeted client segments.

Profit before income tax. The technical result decreased by 7% to EUR 129 million in 2006 from EUR 139 million in 2005, chiefly due to the result-related commission payable to Fortis Retail Bank. Other elements that had a minor negative impact on the technical results were lower positive run-offs from previous underwriting years, reserve strengthening in disability insurance, and higher costs related to the activities for the integration of Fortis AG and FB Insurance and to volume growth. Operating margin, however, reached EUR 151 million, an increase of 5% due to higher levels of allocated capital gains. Together with an increase of EUR 21 million of non-allocated other income and charges (EUR 17 million in 2006 and EUR (4) million in 2005), profit before income tax increased 20% to EUR 168 million in 2006 from EUR 140 million in 2005.

Net profit. Net profit at Non-Life increased 24% to EUR 119 million in 2006 compared with EUR 96 million in 2005. This improvement was principally due to the higher net profit before tax for the reasons cited and a lower effective tax rate with respect to non-allocated other income and charges offsetting the lower technical result.

The combined ratio was 99.0% for 2006, up from 97.1% in 2005. Excluding the long tail Workers' Compensation insurance business, the combined ratio was 96.3% (94.9% in 2005). The claims ratio on policies sold during 2006, excluding Workers' Compensation, was 62.7%, lower than the 2005 claims ratio of 63.5%, indicating that the quality of the policies in force remains high.

The combined ratio for Workers' Compensation deteriorated slightly to 120%, compared with 112% in 2005. This high figure, however, does not indicate that this segment is unprofitable. The high reserve-to-premium ratio and the long duration of this business means that the sizeable financial revenues on Workers' Compensation provisions should be taken into account when assessing profitability.

2005 Compared to 2004

Gross written premiums at Non-Life increased 6% to EUR 1,164 million in 2005 from EUR 1,100 million in 2004. All product lines (Motor, Fire, Accident & Health and Other) contributed to this growth. Insurance Belgium's 6% growth was 2% ahead of growth in the Belgian market. The group health care market was particularly successful, as a number of large contracts were added during the year in both the corporate and public service segments.

Accident & Health improved due to the acquisition of three large group accounts during 2005 with the full impact on premium income to be evident in 2006. Motor increased 5% to EUR 369 million in 2005, mainly due to volume improvement as rates were flat to down slightly in 2005. Fire increased 6% to EUR 358 million.

Staff expenses increased by 17% to EUR 153 million, mainly due to costs related to the upgrade of the management program, and other expenses increased by 11% to EUR 137 million.

Profit before income tax. The operating margin at Non-Life was stable at EUR 144 million despite lower capital gains recorded in 2005. The technical result increased 9% to EUR 139 million in 2005 as the combined ratio improved to 97.1% in 2005 from 98.4% in 2004 as a result of the drop in both the claims ratio (60.2% versus 61.0%) and the expense ratio (36.9% versus 37.4%). Accident & Health accounted for most of the increase in the technical result, more than offsetting lower results at Fire, which suffered from weather-related claims in the third quarter.

Net Profit. Net profit at Non-Life decreased 15% to EUR 96 million in 2005 from EUR 113 million in 2004, principally due to a decrease in realized capital from EUR 25 million in 2004 to EUR 9 million in 2005, capital gains realized in 2005 and higher expenses in 2005.

The combined ratio was 97.1% for 2005, down from 98.4% in 2004. This was primarily the result of a reduction in the claims ratio for Accident & Health which fell from 85.7% in 2004 to 79.8% in 2005.

The following table shows the technical result by product line for the Insurance Belgium non-life business for the periods indicated.

	Year Ended December 31,					
	2006		2005		2004	
	Accident & Health	Property & Casualty	Accident & Health	Property & Casualty	Accident & Health	Property & Casualty
	(EUR million)					
Insurance Belgium						
Technical result	39	90	47	92	27	100

Insurance Netherlands

The following tables set forth selected summary financial information for Insurance Netherlands for the periods indicated.

	Year Ended December 31, 2006	2005	2004	2006 vs. 2005 Change	2005 vs. 2004 Change
	(EUR million)				
Gross inflow					
Life[(1)]	3,437	2,635	2,542	30%	4%
Non-Life	1,943	1,968	2,085	(1)%	(7)%
Technical result	548	516	428	6%	21%
Life	276	293	263	(6)%	11%
Non-Life	272	223	165	22%	35%
Operating Margin	596	605	496	(1)%	22%
Life	315	355	321	(11)%	11%
Non-Life	281	250	175	12%	43%
Non-allocated other income and expense	214	146	114	47%	28%
Profit before taxation and minority interests	810	751	610	8%	23%
Income Tax	(179)	(214)	(157)	(16)%	36%
Minority interests	7	3	4	*	(25)%
Net profit	624	534	449	17%	19%
Operating leverage[(2)]	(0.5)%	6.9%			
Operating costs	(553)	(556)	(514)	(1)%	8%

(1) Under IFRS certain insurance products are treated as investment contracts (non-participating investment contracts) and premiums received are treated as policyholder deposits and not reported in the income statement. Gross inflow is, therefore, a better indication of the total business written by the insurance business during the applicable periods.

(2) Operating leverage is defined as the difference in the percentage growth in operating margins plus operating expense and in the percentage of growth in operating expenses.

2006 Compared to 2005

Revenues. Life recorded growth in gross earned premiums of 30% (EUR 3,437 million in 2006 and EUR 2,635 million in 2005). All insurance contracts written in The Netherlands are treated as insurance policies under IFRS. This increase included one exceptional group life contract of EUR 710 million received in the fourth quarter of 2006. Excluding this contract, life gross earned premium income would have increased by 3.5% in 2006 compared to 2005.

Non-Life gross written premiums decreased about 1% in 2006 compared to 2005 due mainly to lower Accident & Health premiums.

Total operating margin declined 1% in 2006 compared to 2005 as a 12% increase in Non-Life operating margin was more than offset by an 11% decline in operating margin for the life business. The decline in Life was due to the allocation method for investment income resulting in lower technical result and lower operating margin but in higher non allocated other income and expenses.

Operating costs remained tightly under control, benefiting from the integration of Fortis ASR, which was completed in 2006. Despite wage drift, volume growth and the first-time full-year consolidation of SOS International (specialist in worldwide emergency medical and travel assistance) in the fourth quarter, operating costs declined 1% to EUR 553 million in 2006 from EUR 556 million in 2005. Excluding the SOS-related expenses, operating costs fell by 3%. The number of FTEs stood at 4,210 at the end of 2006, down 5% on year-end 2005 (4,416), excluding 236 FTEs who are now employed by Group Resources.

Net Profit. Net profit at Fortis Insurance Netherlands increased to EUR 624 million in 2006, up 17% compared with 2005 (EUR 534 million). This increase was due to an excellent combined ratio for Non-Life, a robust performance at Life, taking into consideration the change in allocation method, tight cost control and lower average taxes, partly offset by lower capital gains.

2005 Compared to 2004

Revenues. Life recorded growth in gross earned premiums of 4% (EUR 2,635 million in 2005 compared to EUR 2,542 million in 2004) in a competitive market, primarily due to the acquisition of new clients by the Group life portfolio, while Non-Life premiums decreased to EUR 1,968 million in 2004 from EUR 2,085 million in 2004, primarily due to the premium refunds granted pursuant to new regulations relating to the Accident & Health business.

Total operating margin increased 22% to EUR 605 million, with 11% and 43% increases in Life and Non-Life, respectively. The increase in Life was principally due to a better technical result. The increase in Non-Life was primarily due to increased technical results in the Property & Casualty portfolio. Operating costs increased by 8% to EUR 556 million in 2006 compared to 2005 mainly due to a broad marketing campaign related to the introduction of a new label and the integration of IT systems of three insurance companies. The number of FTEs totaled 4,652 at the end of 2005, 3% lower than at December 31, 2004.

Net Profit. Net profit of Insurance Netherlands increased 19% to EUR 534 million (2004: EUR 449 million) driven by a steep rise in net profit at Non-Life. Operating margins improved both at Life and at Non-Life. Net profit of Non-Life was 79% higher in 2005, at EUR 230 million.

Insurance Netherlands — Life

	Year Ended December 31,			2006 vs. 2005 Change	2005 vs. 2004 Change
	2006	2005	2004		
	(EUR million)				
Gross earned premiums[1]	3,437	2,635	2,542	30%	4%
Technical result	276	293	263	(6)%	11%
Allocated capital gains	39	62	58	(37)%	7%
Operating margin	315	355	321	(11)%	11%
Non-allocated other income and charges	198	74	127	*%	(42)%
Profit before income tax	513	429	448	20%	(4)%
Income tax	(101)	(122)	(124)	(17)%	(2)%
Minority interests	7	3	4	*%	(25)%
Net profit	405	304	320	33%	(5)%

(1) All contracts written in The Netherlands are treated as insurance contracts under IFRS (not investment contracts) due to the structure of products (transfer of risk).

The following table sets forth certain information regarding premiums received by Insurance Netherlands Life business for each of the years indicated.

	Year Ended December 31,		
	2006	2005	2004
	(EUR million)		
Regular premiums	1,772	1,686	1,451
Single premiums	1,666	949	1,091
Annualized premium equivalent (APE)	275	250	273
Value added by new business (VANB)[1]	50	45	55

(1) Based on a market consistent approach.

2006 Compared to 2005

Revenues. Gross earned premiums at Life increased 30% to EUR 3,437 million in 2006 (2005: EUR 2,635 million) in a competitive market, due mainly to an exceptionally large group life co-assurance contract of EUR 710 million received in the fourth quarter of 2006. Excluding this contract, total gross earned premiums would have increased by 3.5%.

Individual life premiums in traditional and unit-linked contracts grew by 6% in 2006 from EUR 2,211 million in 2005 to EUR 2,343 million in 2006.

Group life gross earned premiums increased by 671 million to 1,094 million in 2006 from 423 million in 2005 due to the new contract discussed above.

In 2006, Fortis Insurance Netherlands continued to follow its strategy of writing new business where it was able to maintain new business margins, while investing in bank and tied agents distribution models. New regular premiums increased by 5% to EUR 1,772 million in 2006 compared with EUR 1,686 million in 2005. Regular premium products generally have better business margins than single premium products.

This increase can be attributed to Fortis Insurance Netherlands emphasis on bancassurance (retail bank distribution) which resulted in premium equivalent APE through this distribution channel increasing by 37% to EUR 22 million. Excellent growth of 80% was realized in the production of mortgage-related life insurance products, supported by the introduction in the fourth quarter of 2005 of a new, innovative product in the mortgages segment specially designed for first-time homeowners with bright career prospects. The increase in single premiums from EUR 949 million in 2005 to EUR 1,666 million in 2006 was principally due to the large group contract discussed above.

The value of new production — expressed as APE — increased by 10% compared to 2005 and reached EUR 275 million in 2006 mainly due to good sales of traditional products.

Profit before income tax. The technical result life (EUR 293 million in 2005 and EUR 276 million in 2006) and operating margin (EUR 355 million in 2005 and EUR 315 million in 2006) both declined in 2006. The decline in life technical result of 6% was due to changes in allocation of investment income between life and non-life and between technical result and non-allocated other income and expenses. Notwithstanding such declines, profit before income tax increased by 20% to EUR 513 million in 2006 from EUR 429 million in 2005. Such increase was attributable to non-allocated other income and charges of EUR 198 million in 2006, a EUR 124 million increase over 2005 (EUR 74 million). This increase was mainly due to the changes in allocation of investment income noted above.

Net profit. Our focus on profitable premium growth and higher investment income (growing funds under management), together with a lower effective tax rate, lifted net profit 33% to EUR 405 million in 2006 compared to EUR 304 million in 2005.

2005 Compared to 2004

Revenues. Gross earned premiums at Life increased 4% to EUR 2,635 million in 2005 in a competitive market. Individual life premiums increased 2% to EUR 2,212 million in 2005 on the back of higher sales in unit-linked contracts. Group Life increased 14% to EUR 423 million in 2005. Growth of Group Life was driven by two major new accounts obtained in the fourth quarter, enabling Fortis Insurance Netherlands to further penetrate this market segment.

In 2005 Fortis Insurance Netherlands also decided to focus on profitable growth in the mortgage production segment. This decision had an impact on Fortis Insurance Netherlands' market position in mortgage production. Market share came under pressure in 2005 due to fierce competition in the mortgage market and consequently had an adverse impact on life insurance policies sold in connection with such mortgages. As a result new production — expressed as APE — amounted to EUR 250 million (2004: EUR 273 million). A more competitive mortgage proposition introduced in the fourth quarter of 2005 improved results. In conjunction with the commercial campaign to introduce the new Fortis ASR brand, Fortis Insurance Netherlands saw an increase in the fourth quarter in mortgage production.

The volume of life products sold through the Fortis Bank retail channel (bancassurance) continued to grow. New production expressed as APE increased by 37% to EUR 16 million and this trend has continued into 2006.

The operating margin consisting of EUR 293 million technical result and EUR 62 million in allocated capital gains (2004: EUR 263 million and EUR 58 million, respectively) increased by 11% to EUR 355 million.

Although margins on new investments were under pressure, the contribution of the investment margins to the technical results remained stable. Fortis Insurance Netherlands transacted a landmark deal with the government concerning the exchange of 2,300 hectares of land — the largest land transaction ever for Fortis — as part of its strategy to improve the quality of the investment portfolio. Despite the improved operating margin, profit before income tax decreased 4% to EUR 429 million in 2005 from EUR 448 million in 2004 as non-allocated other income and charges fell 42% due to lower realized capital gains.

Net profit. Net profit decreased by EUR 16 million or 5% to EUR 304 million in 2005 from EUR 320 million in 2004, primarily as a result of lower realized capital gains, driving down non-allocated other income and charges.

Insurance Netherlands Life — Embedded Value and value added by new business

	2006	2005	2004
		(unaudited) (EUR million)	
EEV before dividend payment	5,406	4,405	4,214
VANB	240	164	134
PVNBP	4,760	4,837	3,626

2006 Compared to 2005

The EV (after opening adjustments and before dividends) increased by 13% to EUR 6,802 million in 2006. All components, including value added by new business, expected return and better than anticipated results from investments, contributed to this result.

PVNBP remained stable at EUR 2,051 million compared to EUR 2,044 million in 2005.

Measured on a traditional basis, the Value added by new business (VANB) increased by 9% to EUR 50 million in 2006 from EUR 45 million in 2005. The increase can be attributed to improved margins as a result of an improved business mix, lower taxes and higher investment income. On a market consistent basis the VANB increased to EUR 84 million in 2006 reflecting the relatively low risk profile of the products and the reduction in cost of capital. On this basis, the new business margin (expressed as VANB divided by PVNBP) increased 122 basis points to 3.64% in 2006 compared to 2005.

2005 Compared to 2004

The EV (before dividends) increased by 20% to EUR 6,016 million in 2005. The positive impact of the unwinding of the discount rate, value added by new business and better than anticipated results from investments more than offset the negative impact of changed assumptions of lower interest rates.

The significant competition in the Dutch life-insurance market resulted in a 7% decline in the value of new business premiums (PVNBP), to EUR 2,044 million in 2005. The competition also negatively impacted the new business margin which dropped 28 basis points to 2.22%. VANB decreased by 17% to EUR 45 million in 2005 from EUR 55 million in 2004, primarily due to the lower value of fee income from unit-linked business and lower margins in Group Life due to competition.

Insurance Netherlands — Non-Life

	Year Ended December 31, 2006	2005	2004	2006 vs. 2005 Change	2005 vs. 2004 Change
	(EUR million, except%)				
Gross written premiums	1,944	1,969	2,086	(2)%	(5)%
Technical result	272	223	165	22%	35%
Allocated capital gains	9	27	10	(68)%	*
Operating margin	281	250	175	12%	43%
Non-allocated other income and charges	16	72	(13)	(78)%	*
Profit before income tax and minority interests	297	322	162	(8)%	99%
Income tax	(78)	(92)	(33)	(15)%	*
Minority interests	0	0	0		*
Net profit	219	230	129	(5)%	78%
Non-Life total:					
Claims ratio	55.8%	57.3%	62.9%		
Expense ratio	34.8%	34.9%	34.9%		
Combined ratio	90.6%	92.2%	97.8%		
Property & Casualty:					
Claims ratio	53.4%	52.8%	58.7%		
Expense ratio	44.1%	42.4%	44.3%		
Combined ratio	97.5%	95.2%	103.0%		
Accident & Health:					
Claims ratio	58.6%	62.4%	68.1%		
Expense ratio	23.9%	26.4%	23.1%		
Combined ratio	82.5%	88.8%	91.2%		

The following table shows gross written premiums by product line for the Insurance Netherlands Non-Life business for the periods indicated.

	Year Ended December 31, 2006	2005	2004
	(EUR million)		
Accident & Health	965	993	1,064
Property & Casualty	978	976	1,021
Total	1,943	1,969	2,085

2006 Compared to 2005

Revenues. Gross written premiums were EUR 1,944 million in 2006, flat compared to the 2005 figure despite substantially lower premiums in the medical expenses line. The Dutch health insurance system was privatized in 2006, creating fierce pricing competition in the medical expenses business line. Fortis Insurance Netherlands decided to include medical expenses in its integrated Accident & Health product offering and not to compete in the price war. Excluding the decline in medical expenses, gross written premiums would have risen by 3%. Gross written premium at Accident & Health remained stable, driven by an increase in disability offset by lower gross written premiums in medical expenses. The rise in gross written premiums for disability was favorably influenced by new products introduced in anticipation of legislative amendments and lower lapses.

Motor experienced stiff price competition, though this only had a minor effect on premiums at Fortis Insurance Netherlands (decrease of 2% in gross written premiums), mainly due to successful marketing campaigns, new distribution models and several new features. Gross written Fire premiums remained virtually stable at EUR 315 million in 2006 compared to EUR 322 million in 2005.

Net profit before income tax. The technical result at Non-Life improved 22% to EUR 272 million in 2006 from EUR 223 million in 2005. This improvement was reflected in the operating margin at Non-Life which increased 12% to EUR 281 million in 2006 from EUR 250 million in 2005. The lower percentage increase is due to a lower level of allocated capital gains (EUR 27 million in 2005 and EUR 9 million in 2006). These improvements were also impacted by the changes in allocation of investment income.

The higher technical result was evidenced in the combined ratio for Non-Life which remained low at 90.6% (2005: 92.2%). This ratio was predominantly driven by an enhanced performance of the Accident & Health portfolio, lowering the claims ratio to 58.6% (2005: 62.4%). Fortis Insurance Netherlands succeeded in reducing sickness leave periods of insured employees, thereby improving this segment's profitability. Despite a negative one-off influence, relating to decreased settlement time for personal injury claims following the so-called Tilburg Agreement, the Motor claims ratio in 2006 improved to 58.0% (2005: 61.7%).

The selective underwriting process that Fortis Insurance Netherlands has implemented in the past few years and controlled cost growth has contributed to Non-Life's continuing improvements in technical results.

Notwithstanding these factors, profit before income tax declined by 8% to EUR 297 million in 2006 from EUR 322 million in 2005, mainly due to high capital gains realized in 2005 that were not prepared in 2006. The 6% decrease in life technical result was due to changes in allocation of investment income between life and non-life and between technical result and non-allocated other income and expenses.

Net profit. Net profit in Non-Life declined by 5% to EUR 219 million in 2006 from EUR 230 million in 2005, mainly due to the higher capital gains realized in 2005.

2005 Compared to 2004

Revenues. Gross written premiums at Non-Life in 2005 were EUR 1,969 million (2004: EUR 2,085 million). Gross written premiums at Accident & Health decreased from EUR 1,064 million to EUR 993 million. This decline was largely due to the new long-term disability act (*WIA*) making selected insurance products written in 2004 and 2005 obsolete (*WAO gat and Pemba*), and pursuant to which Dutch insurers were required to refund premiums collected in 2004 and 2005. Motor gross written premiums declined from EUR 477 million to EUR 434 million mainly due to the profit pricing strategy and review of the authorized agents' portfolios, resulting in cancellation of contracts within these portfolios. Fire gross written premiums remained stable.

The Non-Life technical result improved 35% to EUR 223 million in 2005 from EUR 165 million in 2004. This improvement was evidenced in the Non-Life operating margin which rose by 43% to EUR 250 million, benefiting from higher levels of allocated capital gains (EUR 10 million in 2004 and EUR 27 million in 2005). This was predominantly driven by an increase in the technical result of the Property & Casualty portfolio due to an improvement in the claims ratio to 52.8% (2004: 58.7%). Motor, Fire and Other Lines contributed to this good result with very favorable combined ratios despite some weather and season-related claims during the fourth quarter of 2005 in Motor. Accident & Health surpassed the previous year's strong performance, resulting in a combined ratio of 88.8% (2004: 91.2%).

Profit before income tax. Profit before income tax in the non-life business increased by 99% to EUR 322 million in 2005 from EUR 162 million in 2004. This increase was due to the significant improvement in technical result and a EUR 81 million increase in capital gains, reflected in increased allocated capital gains of EUR 17 million and an increase in non-allocated other income and charges of EUR 84 million.

Net profit. Net profit in the non-life business increased 78% to EUR 230 million in 2005 from EUR 129 million in 2004. The lower percentage increase in net profit compared to net profit before income tax is due to a higher effective tax rate in 2005 (28.8%) compared to 2004 (20.4%)

The following table shows the technical result by product line for the Insurance Netherlands Non-Life business for the periods indicated.

	Year Ended December 31,					
	2006		2005		2004	
	Accident & Health	Property & Casualty	Accident & Health	Property & Casualty	Accident & Health	Property & Casualty
	(EUR million)					
Insurance Netherlands						
Technical result	192	80	146	77	138	27

2006 compared to 2005

Operating costs remained tightly under control, benefiting from the integration of Fortis ASR, which was completed in 2006. Despite wage drift, volume growth and the first-time full-year consolidation of SOS International (specialist in worldwide emergency medical and travel assistance) in the fourth quarter, operating costs declined 1% to EUR 553 million. Excluding the SOS-related expenses, operating costs declined by 3%.

2005 compared to 2004

Operating cost increased by 8% from EUR 514 million in 2004 to EUR 556 million in 2005. The increase was mainly due to integration of the three main insurance companies and the cost related to the quality upgrade management program.

Insurance International

The following table sets forth selected summary financial information for Insurance International for the periods indicated.

	Year Ended December 31,			2006 vs. 2005 Change	2005 vs. 2004 Change
	2006	2005	2004		
	(EUR million, except %)				
Gross inflow					
Life	3,214	3,567	1,222	(10)%	*
Non-Life	1,820	1,642	1,423	11%	15%
Technical result	210	175	76	20%	
Life	38	0	(21)	*	*
Non-Life	172	175	97	(2)%	80%
Operating Margin	214	206	74	4%	
Life	40	25	(20)	60%	*
Non-Life	174	181	94	(4)%	93%
Non-allocated other income and charges	129	90	91	43%	(1)%
Profit before taxation	343	296	164	16%	80%
Income Tax	(70)	(69)	(35)	1%	97%
Minority interests	30	24	0	25%	*
Net profit	243	203	129	20%	57%
Operating leverage(1)	(4.6)%	31.3%			
Operating costs	(411)	(353)	(250)	16%	41%

(1) Operating leverage is defined as the difference in the percentage growth in operating margins plus operating expense and in the percentage of growth in operating expenses.

2006 Compared to 2005

Revenues. Gross inflow at life for the consolidated international companies was EUR 3.2 billion, a decline of EUR 0.4 billion. Non-Life gross inflow offset this decline in part, increasing from EUR 1.6 billion to EUR 1.8 billion. Including the companies accounted for using the equity method (consisting of the life insurance operations in Spain, Malaysia, China and Thailand) on a 100% basis (hereafter referred to as 'on a 100% basis'), total gross inflow increased 17% to EUR 3,9 billion with excellent sales in China and Thailand and reflecting a successful acquisition in Malaysia.

Operating costs rose to EUR 411 million in 2006 from EUR 353 million as a result of the further implementation of the growth strategy and continued investment in growth.

Total operating margin increased 4% in 2006 to EUR 214 million from EUR 206 million in 2005 as a slight decline in Non-Life operating margin was offset by an improvement in life.

Net Profit. Net profit improved 20% to EUR 243 million in 2006 (2005: EUR 203 million). The increase in net profit was principally due to Life activities (up 63% to EUR 85 million in 2006), driven by the Asian operations. Non-Life net profit climbed 5% mainly due to continued effective underwriting and sound risk management.

2005 Compared to 2004

Revenues. Gross inflow life at the fully consolidated companies increased significantly from EUR 1.2 billion in 2004 to EUR 3.6 billion in 2005. Non-Life gross inflow also increased from EUR 1.4 billion in 2004 to EUR 1.6 billion in 2005. The increase was due primarily to the performance of Millenniumbcp Fortis and higher sales at Fortis Luxembourg. Gross inflow at the joint venture companies included on a 100% basis increased from EUR 3.0 billion in 2004 to EUR 3.3 billion in 2005.

Total operating margin improved from EUR 74 million in 2004 to EUR 206 million in 2005. The main contributors to this improvement were the first-time inclusion of Millenniumbcp Fortis in the scope of consolidation as of 2005, and the return to profit and positive technical results of Fortis Assurance France. The increase in operating expenses was also driven by the consolidation of Millenniumbcp Fortis.

Net profit. Net profit grew 57%, to EUR 203 million in 2005 from EUR 129 million in 2004, due primarily to a 53% rise in net profit at Non-Life.

Life

Insurance International — Life

	Year Ended December 31,			2006 vs. 2005 Change	2005 vs. 2004 Change
	2006	2005	2004		
	(EUR million)				
Gross earned premiums	1,357	1,482	398	(8)%	*
Investment contracts without DPF[1]	1,857	2,084	825	(11)%	*
Gross inflow[1]	3,214	3,566	1,223	(10)%	*
Technical result	38	—	(21)		*
Allocated capital gains	2	25	1	(92)%	*
Operating margin	40	25	(20)	60%	*
Non-allocated other income and charges	78	50	51	56%	(2)%
Profit before income tax and minority interests	118	75	31	57%	*
Income tax	(10)	(9)	—	11%	*
Minority interests	23	14	—	64%	*
Net profit	85	52	31	63%	69%
New business life — APE	550	535	232	3%	*

(1) Under IFRS certain insurance products are treated as investment contracts (non-participating investment contracts) and premiums received are treated as policyholder deposits and not reported in the income statement. Gross inflow is, therefore, a better indication of the total business written by the insurance business during the applicable periods.

The following table sets forth certain information regarding premiums received by Insurance International Life business for each of the years indicated.

	Year Ended December 31,		
	2006	2005	2004
	(EUR million)		
Regular premiums	496	462	279
Single premiums	862	1,020	118
Annualized premium equivalent (APE)	550	535	232
Value added by new business (VANB)[1]	84	91	28

(1) Based on a market consistent approach.

2006 Compared to 2005

Revenues. Total gross inflow at fully consolidated Life companies was EUR 3,214 million in 2006 (2005: EUR 3,566 million). The decline was due to significantly lower volumes in Portugal only partially offset by higher premium volume in France and Luxembourg. The lower volume in Portugal was due to a decision to favor return versus volume in the Portuguese unit-linked campaigns. The product structure is being reviewed, and newly developed open-ended unit-linked contracts will be added to the offering to boost inflows with better returns.

Gross inflow at Life companies reported using the equity method (on a 100% basis) increased by 12% to EUR 3,446 million in 2006 compared to EUR 3,080 million in 2005. This rise was largely the result of excellent top-line growth in China, the incorporation of Malaysia National Insurance Holdings ("**MNIH**") and further growth of the bancassurance channel in Thailand. Both Taiping Life (China) and Muang Thai (Thailand) improved their market positions, which expanded from 2.2% to 2.8% and from 4.9% to 5.9% respectively (compared with year-end 2005).

The operating margin for the full year improved by 60%, from EUR 25 million to EUR 40 million. This increase was driven by operations in all countries, most notably in Portugal, where the improvement was attributable to higher assets under management and tight cost control.

Net profit. Life net profit advanced to EUR 85 million in 2006, up 63% from EUR 52 million in 2005, driven by positive trends in all countries, especially in Asia, as well as higher levels of non-allocated other income and charges.

2005 Compared to 2004

Revenues. Total gross inflow at the fully consolidated life companies, including the life insurance activities in Portugal, France and Luxembourg, increased from EUR 1,222 million in 2004 to EUR 3,566 million in 2005, principally attributable to Millenniumbcp Fortis (EUR 1,997 million) which was acquired on January 1, 2005 and the continued good sales performance of Fortis Luxembourg. Total gross inflow at the non-consolidated life companies, including the life insurance operations in Spain, Malaysia, China and Thailand, advanced (on a 100% basis) from EUR 2,744 million to EUR 3,080 million (+12%), as a result of group sales at CaiFor (Spain) and overall higher sales in the Asian region.

The operating margin improved from a loss of EUR 20 million in 2004 to EUR 25 million in 2005. This improvement reflected a technical result life that broke even (loss of EUR 21 million in 2004) as well as allocated capital gains of EUR 25 million.

Insurance International Life — Embedded Value and value added by new business

The EV calculations for Fortis Insurance International include the European subsidiaries and entities accounted for under the equity method on a full EV basis and include the Asian joint ventures on a net equity basis.

	2006	2005	2004
		(unaudited) (EUR million)	
EEV before dividend payment	1,313	1,160	526
VANB	84	91	28
PVNBP	3,705	3,346	1,861

2006 Compared to 2005

The EEV of Fortis Insurance International (after opening adjustments and before dividends) increased by 13% to EUR 1,313 million in 2006, driven by Value added by new business and high investment returns.

PVNBP increased by 11% primarily due to an increase in regular premiums. On a traditional basis the Value added by new business decreased from EUR 91 million to EUR 84 million caused mainly by improvements in cash- flow modeling. Underlying New Business margins were generally stable except for a drop for term products in Portugal which was compensated for by overall increased business volumes. Valued on a market consistent basis, the VANB increased to EUR 103 million reflecting the relatively low risk profile of the products and the lower cost of capital. The new business margin remained strong at 2.7%.

2005 Compared to 2004

EV at the start of 2005 was positively impacted by the EUR 319 million inclusion of Fortis Millenniumbcp. EV (before dividends) increased by 11% from EUR 1,048 to EUR 1,160 million, mainly driven by the unwinding of the discount rate and value added by new business more than offsetting the negative impact of a change in assumptions.

PVNBP advanced 80% to EUR 3,346 million due to the inclusion of Millenniumbcp Fortis. Value added by new business increased from EUR 28 to EUR 91 million due to the inclusion of Millenniumbcp Fortis, which contributed EUR 37 million, and to strongly improved value creation at all other companies. Other important drivers were excellent volume growth, while costs were kept flat, in France and Luxembourg, and improved sales of high margin risk and pension products at CaiFor. The new business margin in 2005 improved strongly, to 2.72% from 1.50% in 2004, including the relatively high margin sales of Millenniumbcp Fortis and the increase in number and scope of risk products sold.

Non-Life

Insurance International — Non-Life

	Year Ended December 31,			2006 vs. 2005 Change	2005 vs. 2004 Change
	2006	2005	2004		
	(EUR million, except %)				
Gross written premiums	1,820	1,642	1,423	11%	15%
Technical result	172	175	97	(2)%	80%
Allocated capital gains	2	6	(3)	(67)%	*
Operating margin	174	181	94	(4)%	93%
Non-allocated other income and charges	51	40	39	28%	(3)%
Profit before income tax	225	221	133	2%	66%
Income tax	(60)	(60)	(35)	0%	71%
Minority interests	7	10	0	(30)%	*
Net profit	158	151	98	5%	54%
Non-Life total:					
Claims ratio	67.1%	67.7%	72.1%		
Expense ratio	33.0%	32.4%	29.5%		
Combined ratio	100.1%	100.1%	101.5%		
Property & Casualty:					
Claims ratio	67.5%	68.1%	72.1%		
Expense ratio	33.3%	32.4%	29.7%		
Combined ratio	100.8%	100.5%	101.8%		
Accident & Health:					
Claims ratio	64.3%	64.6%	70.1%		
Expense ratio	30.7%	32.2%	25.3%		
Combined ratio	95.0%	96.8%	95.4%		

2006 Compared to 2005

Gross written premiums at the fully consolidated companies grew to EUR 1,820 million, up 11% compared with 2005. This increase was driven primarily by growing sales in the UK due to the successful transfer of Age Concern clients to Fortis and higher volumes at Motor. Gross written premiums at Non-Life companies reported using the equity method (on a 100% basis) advanced to EUR 439 million in 2006 from EUR 236 million in 2005 principally as a result of the acquisition of MNIH in Malaysia.

The technical result remained virtually unchanged at EUR 172 million in 2006, on the back of a stable combined ratio. This was realized mainly due to the continued strong underwriting performance of Fortis Corporate Insurance and Fortis UK.

Non-Life net profit increased 5% to EUR 158 million due to continued effective underwriting and sound risk management reflected in a consistently recorded combined ratio of 100%.

2005 Compared to 2004

Gross written premiums for the fully consolidated non-life companies increased by 15% from EUR 1,423 million in 2004 to EUR 1,642 million in 2005, partly driven by Millenniumbcp Fortis. Gross written premiums for the non-consolidated non-life companies increased (on a 100% basis) 28%, from EUR 184 million in 2004 to EUR 236 million in 2005. The greatest contributors were CaiFor and Muang Thai Fortis. Non-Life net profit rose from EUR 98 million to EUR 151 million (+54%) as a result of continued good performances at Fortis Corporate Insurance and Fortis UK and the contribution of Millenniumbcp Fortis's Property & Casualty operations.

Non-Life net profit increased 54%, from EUR 98 million to EUR 151 million. The main drivers for this increase were favorable results at Non-Life (Fortis Corporate Insurance and Fortis UK) and the performance of Millenniumbcp Fortis (consolidated as of January 1, 2005).

The following table shows the technical result by product line for the Insurance International Non-Life business for the periods indicated.

	Year Ended December 31,					
	2006		2005		2004	
	Health & Accident	Property & Casualty	Health & Accident	Property & Casualty	Health & Accident	Property & Casualty
	(EUR million)					
Insurance International						
Technical result	12	160	16	159	4	93

Developments in Geographic Regions

Fortis holds a 100% interest in the companies listed below, unless otherwise noted. In July 2007 Fortis announced the sale of its interests in CaiFor to "La Caixa", its joint venture partner; this transaction was completed on November 13, 2007.

2006 Compared to 2005

Fortis UK (Insurance) posted strong revenue and profit growth in 2006. Profits increased significantly in 2006 supported by strong underwriting results from Fortis Insurance Limited ("**FIL**"), where written premiums increased by 14% and from its retail businesses (Retirement Insurance Advisory Services ("**RIAS**"), OutRight and Text2Insure), where revenues rose by 14%. Affinity Solutions, its consultancy business, served a number of new clients seeking advice in relation to affinity partnerships. Fortis UK's profit before tax has delivered a CAGR of 16% over the past five years, due to a steady rise in the number of FIL customers, which reached 6.5 million at the end of 2006, or 15% more than the previous year. This includes 1.5 million cars insured (compared with 1.37 million at the end of 2005) and over one million Household customers, rising by 66% mainly due to the successful transfer of Age Concern customers. Meanwhile, RIAS, which specializes in the 'over 50s' target group, provided insurance to more than one million customers for the first time.

Fortis Corporate Insurance (FCI) is a leading player in the market of mid-sized corporate risks in the Benelux. FCI launched several growth initiatives in 2006, increasing its business in identified niches such as shipyards, large yachts, owner associations and tour operators. FCI also embarked on prudent expansion outside the Benelux. It strengthened its contacts, for example, with French brokers and initiated joint efforts with Fortis Bank Business Centers aimed at the marine market. FCI also launched a two-year quality improvement program, to be completed in 2007, designed to make it the standard for quality of service in this segment. These growth initiatives helped raise gross written premiums by 3% to EUR 597 million in 2006 (EUR 582 million in 2005), despite softer market conditions and stiffer competition.

Millenniumbcp Fortis (Portugal, 51% stake) reported total gross inflow of EUR 1,629 million in 2006 compared with a total gross inflow of EUR 2,144 million in 2005. Non-Life premiums grew by 17% to EUR 171 million in 2006 but Life inflow declined to EUR 1,458 million in 2006 (EUR 1,997 million in 2005). The decline was due to significantly lower volumes as Milleniumbcp sought to improve returns at the expense of volume growth. A product innovation platform was launched and new products have been developed. The effect of these new products is expected to be felt after their introduction in 2007, based on positive initial results of a marketing pilot. New distribution channels were launched at Health, supported by new agreements with brokers and Portuguese insurance companies.

CaiFor (Spain; Life: 40%; Non-Life: 60%) realized gross inflow of EUR 1,719 million in 2006 compared with EUR 1,991 million in 2005. The risk business (both at Life and Non-Life) continued to display an upward trend, sustaining a strong growth rate. The low-interest rate environment and the government's fiscal reform (including 18% taxation of all savings instruments), however, created a challenging business environment for savings products. As usual, commercial efforts in the last quarter of the year focused on individual pension plan campaigns, with the launch of two new, innovative products PlanCaixa Triple 5 and

PlanCaixa Invest 16. CaiFor also recently launched a new product designed to meet the specific needs of SMEs and self-employed professionals (VidaCaixa Convenios).

Fortis Assurances Luxembourg had another excellent year, as demonstrated by the increase in assets under management, which were EUR 5.2 billion at the end of 2006 compared to EUR 3.9 billion at the end of 2005. Although gross inflow in 2005 benefited from sales related to the introduction of certain new tax rules pursuant to Feira, a EU tax harmonization, total gross inflow in 2006 advanced further by 13% to EUR 1,323 million. Sales through third parties doubled over 2005 and new production is more diversified, both from a geographic point of view and in terms of distribution. Italy, for example, generated 20% of total production in 2006.

Fortis Assurances France (insurance-life), posted growth of 26% in new production, both in the direct sales network and in the broker network. Growth was fuelled by the development strategy for unit-linked contracts, which represented more than 63% of new production. Gross inflow at Fortis Assurances rose 10% to EUR 433 million, outstripping the growth rates posted by more traditional insurers. Assets under management grew to EUR 3 billion by the end of the year. The fourth quarter of 2006 marked the launch of Fortis Assurances France's partnership with Fortis Banque France and the introduction of two new products for its traditional networks (direct sales and brokers). These two products resulted in new production volume of EUR 40 million in 2006.

Taiping Life (China; Fortis's stake: 24.9%) Gross inflow exceeded the EUR 1 billion mark for the first time in the company's history (EUR 1,120 million). Taiping Life offers a complete line of life, medical and retirement products for the Chinese market, backed by state-of-the-art computer systems and a skilled staff of insurance professionals. Sales are made primarily through the bancassurance channel, Group Life and an agents network. This strong performance was achieved as the result of the successful introduction of several new products sold by agents, filling a gap in the product portfolio targeting high- and medium-end clients and the enhancement of business platforms that support the bancassurance and tied agency distribution channels. In terms of APE, the bancassurance and tied agency channels achieved premium growth of 67% and 74%, respectively. This growth was partly generated by the company's ongoing focus on steadily increasing the proportion of regular premium business across all distribution channels. The tied agency force grew to more than 23,500 by the end of 2006. Meanwhile, a multi-channel distribution development program is being implemented, the aim of which is to gradually build a robust third 'leg' alongside the existing distribution channels. Assets under management reached EUR 2.9 billion at year-end 2006, compared with EUR 2.2 billion at the end of 2005.

Mayban Fortis (Malaysia; Fortis's stake: 30%) finalized the acquisition of MNIH in 2006, positioning itself as a leading multi-channel insurance company in Malaysia. The integration is on track and is expected to be completed in 2007. Total gross inflow more than doubled to EUR 797 million in 2006 and assets under management were EUR 3.7 billion at year-end 2006.

In 2006, **Muang Thai Fortis** (Thailand; Fortis's stake: 40%) grew faster than the overall Thai insurance industry in 2006, chiefly due to the successful rollout of bancassurance in Thailand, which considerably boosted sales volumes. Muang Thai Fortis is now the second largest player in the bancassurance channel. Total gross inflow grew by 18% to EUR 249 million in 2006. More agents are now fully dedicated to the bank branches, bringing the total to more than 300 (up from 163 at the end of 2005). A number of new products were presented to the regulator for approval. Total assets under management grew by 15% to EUR 0.8 billion at the end of 2006.

2005 Compared to 2004

Fortis UK (Insurance). Net profit for the UK increased 22% to EUR 64 million in 2005 supported by strong results for both Fortis Insurance Limited and RIAS. While the UK motor market experienced a further period of downward pressure on pricing in 2005, Fortis Insurance Limited delivered good underwriting results for Private Care and continued to grow its portfolio. Performance of its other product lines (Household, Travel, Van and Commercial Lines for small businesses) was strong in terms of revenues and underwriting profits. Commission income at RIAS grew 20% in 2005 compared to 2004 due to the continued growth of its Household portfolio and has benefited from early success in the growth of its Private Care portfolio.

Fortis Corporate Insurance. Gross Written Premiums increased 4% in 2005 mainly due to growth in Marine and Liability lines with a modest increase in motor but a decline in the fire line due to increased competition. Net profits increased to EUR 58 million in 2005 compared to EUR 31 million in 2004, due to the improved technical results in all lines supported by a favorable claims environment. Since 1999 FCI had been working to improve its organization and portfolio, which resulted in September 2005 in an increase of FCI's rating by FitchRatings to A+ (strong). Net income also benefited from higher capital gains.

Millenniumbcp Fortis finished its first year of operations as part of Fortis as the biggest bancassurance insurance group in Portugal, and the market leader in the Life business based on gross premiums (market share of 21.9%) and pension fund business (market share of 32.5%)(4). Its total gross inflow amounted to EUR 2,144 million, primarily realized through several successful unit-linked and savings product campaigns in cooperation with Millenniumbcp, the largest commercial bank in Portugal and its principal distribution channel. Net profit contribution was EUR 20 million in 2005.

CaiFor performed well in 2005. Life inflow increased by 4% and non-life premiums increased by 22%, supported by the successful introduction of several new products (e.g. accident insurance and a new household product) and improved customer service. Total assets grew to EUR 22 billion. CaiFor remained the market leader in life insurance, with a market share of 13.3% (measured by life insurance provisions).

Fortis Luxembourg Assurances had a strong year in terms of fund inflow, reaching EUR 1 billion for the first time. Total assets under management grew to EUR 3.9 billion at the end of 2005. A significant part of the sales was realized via the Fortis Bank network and via other banks and distributors outside Luxembourg, i.e. in France, Belgium, Germany and Italy. Fortis Luxembourg Assurances completed the Fortis rebranding exercise in 2005.

Fortis Assurances France gross inflow increased from EUR 359 million in 2004 to EUR 395 million in 2005. This growth was due to an improved performance of the broker network and improved productivity of the direct sales force. Following a major restructuring process, Fortis Assurances France has returned to profitability.

Total gross inflow for 2005 at **Taiping Life** amounted to EUR 768 million (on a 100% basis), an increase of 19% despite strong competition from banking products. Taiping Life's market share grew from 2.0% to 2.2% of the total market, thereby making it the sixth largest Chinese insurance company. Assets under management reached EUR 2.2 billion as of December 31, 2005. In August 2005, Taiping Pension Company, one of the first specialized pension companies in China, was granted a license for Trustee and Pension Asset Management in the new market of enterprise annuity business.

Mayban Fortis gross inflow in 2005 was EUR 354 million (on a 100% basis), 20% higher than in 2004. Assets under management reached EUR 0.9 billion by the end of 2005. In December 2005, Mayban Fortis completed the acquisition of a 74.24% stake in MNIH, a listed and leading insurance group in Malaysia. This deal resulted in a multi-channel insurer at the top of the insurance market in Malaysia in Life and General as well as in Takaful (Islamic insurance).

Muang Thai Fortis acquired in the first half year of 2004, had gross inflow of EUR 202 million in 2005 (on a 100% basis), with bancassurance sales up 110%. Assets under management reached EUR 0.7 billion as of December 31, 2005. In 2005, Muang Thai Life had the highest Annualized New Premium growth rate in the Thai market (on a year-to-year basis). Such increase was attributable to its multi-channel distribution growth, i.e. agency sales, bancassurance and affinity group marketing.

General (including eliminations)

General contains all activities not directly related to banking and insurance activities such as Corporate Headquarters costs and financing costs as well as all eliminations between Banking, Insurance and General.

General Income Statement

	Year Ended December 31, 2006	2005	2004	2006 vs. 2005 Change	2005 vs. 2004 Change
	(EUR million)				
Insurance premiums	(77)	(74)	(114)	4%	(35)%
Net interest Income	(226)	(233)	(257)	(3)%	(9)%
Net commissions and fees		—	1		*
Realized capital gains (losses)	(15)	437	395	*	11%
(Un)realized gains (losses)	40	57	(50)	(30)%	*
Dividend and other investment income	(1)	(3)	(12)	67%	(75)%
Other income	(120)	(59)	0	*	*
Total revenues	(399)	125	(37)	*	*
Change in provisions for impairment				*	*
Net revenues	(399)	125	(37)	*	*
Technical charges	161	162	192	(1)%	(16)%
Staff expenses	(49)	(53)	(58)	(8)%	(9)%
Other operating and administrative expenses	28	5	(39)	*	*
Total expenses	140	114	95	23%	20%
Profit before income tax	(259)	238	58	*	*
Income tax	52	43	60	21%	(28)%
Net profit before minority interests	(207)	282	118	*	*
Minority interests	11	(0)	2		*
Net profit	(218)	282	116	*	*
Results on divestments	—	443	422		5%
Net profit before results on divestments	(218)	(161)	(306)	35%	(47)%

2006 Compared to 2005

The unusually high net profit for 2005 reflects the positive impact of the divestment in Assurant in the first quarter of 2005. Excluding this, the negative result increased EUR 57 million to EUR 218 million in 2006 compared with last year. The net decrease results from several offsetting elements.

Positive contributors were EUR 91 million in surrender penalties received from group entities owing to early loan repayments and lower eliminations of treasury share revenues. Negative elements were higher financing charges due to the acquisition of Fortis Bank Insurance from Fortis Bank Belgium in the context of the Fortis Insurance Belgium merger, a lower positive change in the fair value of the MEB convertible into Assurant shares (EUR 52 million compared with EUR 76 million last year) and higher costs related to the promotion of the Fortis brand.

2005 Compared to 2004

The unusually high net profit at General in 2005 and 2004 (EUR 282 million and EUR 116 million, respectively) is related to the positive impact of the divestment of Assurant in each of these years. Excluding the impact of the divestment of Assurant, the net loss at General decreased from EUR 306 million to a net loss of EUR 161 million.

The decrease in net loss before divestments was primarily due to the issuance of the mandatorily exchangeable bonds on the remaining shares of Assurant. This issue generated an unrealized gain due to valuation of the Assurant shares at fair value through the income statement, rather than at net equity value, with further unrealized gains from the revaluation of the embedded derivative incorporated in the mandatorily exchangeable bond and the revaluation through the income statement of the Assurant shares.

Liquidity and Capital Resources

Combined Cash Flows

Fortis total cash flows are comprised of the net cash flow from operating activities, the net cash flow from investment activities and the net cash flow from financing activities.

The principal sources of funds for Fortis's operating activities are insurance premiums, income from investments of the insurance operations and interest income and other income received from the banking operations. Fortis also supplements its funding requirements with borrowings from financial institutions, which consist of both short-term liabilities and long-term debt obligations. Fortis's major uses of funds are for payments in connection with life policy benefits, payments of non-life claims, interest expenses, personnel expenses and other expenses, as well as investments in information technology. The net cash flow of Fortis's operating activities also includes the sales and purchases of its trading portfolio, the net balance of loan advances and repayments and the change in deposits and other short-term borrowings of the banking operations.

Group solvency

The respective banking and insurance supervisors in Belgium and The Netherlands (CBFA and DNB) are of the opinion that the integration of the activities within a financial services company (or a financial conglomerate) gives rise to specific risks which require the separate banking and insurance supervision to be supplemented with comprehensive supervision at the group level. As a result, on February 28, 2002, the supervisors agreed on a Protocol (entitled "Framework for the exercise of the supplementary supervision of the Fortis Group") to provide for adequate supervision of Fortis. This Protocol replaced a 1996 agreement concluded between the supervisors, which needed to be reviewed as a result of the changes in the management structures of Fortis and the international developments in the supervision of financial services companies. Fortis has been identified as a financial conglomerate and is subject to supplementary supervisions of credit institutions, Insurance undertakings and Investment firms in financial conglomerate as provided for in the European Directive 2002/87/EC. See "*Supervision and Regulation*".

Since 1998 Fortis has established internal solvency targets that included a minimum and maximum level. The minimum level used till December 31, 2006 equals the sum of 6% of the risk-weighted assets of the banking operations plus 1.75 times the statutory minimum requirements for the insurance operations. The maximum level used till December 31, 2006 equals the sum of 7% of the risk-weighted assets of the banking operations plus 2.5 times the statutory minimum requirements for the insurance sector, see "*— Insurance Cash Flows — Solvency Margins and Capital Requirements*" and "*— Bank Cash Flows — Capital Adequacy*".

	At December 31,		
	2006	2005	2004
	(EUR million)		
Shareholders' equity	20,644	18,929	15,337
Minority interests	907	727	340
Hybrid loans	4,640	4,080	4,155
Revaluation of real estate to fair value	1,833	1,678	1,549
Revaluation of bonds, net of shadow accounting	(672)	(2,583)	(2,977)
Reversal of non trade derivatives and hedge accounting	491	696	1,458
Goodwill	(1,017)	(716)	(77)
Treasury shares	307	314	267
Net core capital	27,133	23,126	20,052
Fortis floor	21,547	19,300	16,371

Fortis has presented its solvency using this net core capital/cap/floor model since 1998. Fortis's net core capital has remained between the cap and the floor throughout this period, thereby balancing the interests of shareholders and bondholders. There were, however, some limitations to this model that have prompted us to introduce a new model based on "target capital" from January 1, 2007.

The three components of the Fortis core equity target are:

- a Fortis Bank capital target set at a Tier 1 ratio of 7%, including 1% hybrid capital. This implies a core equity target of 6%;

- a Fortis Insurance capital target set at 225% of the regulatory minimum, which includes 50% of hybrid capital. This implies a core equity target of 175%; and
- a Group leverage target (at General) set at 15% of the total of the core equity of Banking plus the core equity of Insurance, implying that at the level of Banking and Insurance 15% of their combined target equity could be financed by group debt.

The three components together result in a group core equity target. The multiple compared with regulatory capital targets is based on extensive analysis and set at a level that satisfies requirements by both regulatory supervisors and rating agencies, assuming AA-range ratings for core operations. Internal risk views based on stress scenarios have also been taken into account in these capital targets, which are based on the current risk profile of Fortis's operations. A change in risk profile could result in a change of targets.

Fortis's core equity and total capital is composed as follows:

	Banking	Insurance	General (incl. eliminations)	Total
		(EUR million)		
December 31, 2006				
Share capital and reserves	12,593	4,021	(4,350)	12,264
Net profit attributable to shareholders	3,149	1,419	(217)	4,351
Unrealized gains and losses	924	2,923	182	4,029
Shareholders' equity	16,666	8,363	(4,385)	20,644
FRESH capital securities			1,108	1,108
Minority interests	198	678	31	907
Revaluation of real estate to fair value		1,465		1,465
Revaluation of debt securities, net of shadow accounting	(176)	(477)	(19)	(672)
Revaluation of equity securities, net of shadow accounting	(721)	(234)	(12)	(967)
Goodwill	(749)	(268)		(1,017)
Expected dividend	(225)	(520)	(321)	(1,066)
Other	(490)	(392)	12	(870)
Fortis core equity	14,503	8,615	(3,586)	19,532
Innovative Tier 1 capital	2,438	600	493	3,531
Tier 1 capital	16,941	9,215	(3,093)	23,063
Subordinated loans	11,642	819	(1,726)	10,735
Other prudential filters and deductions on total capital	(1,919)	(99)		(2,018)
Total capital	26,664	9,935	(4,819)	31,780

The key capital indicators of Fortis are as follows:

	December 31, 2006
	(EUR million)
Fortis	
Core equity	19,532
Core equity target	17,733
Amount of core equity above target	1,799
Total capital	31,780
Minimum solvency requirements	22,898
Amount of total capital above minimum solvency requirements	8,882

Insurance Cash Flows

The condensed cash flow statement for the insurance operations is as follows:

	2006	2005	2004
		(EUR million)	
Cash and cash equivalents, opening balance	2,421	2,877	4,472
Cash flow from operating activities	7,720	7,131	4,318
Cash flow from investing activities	(6,830)	(6,451)	(5,282)
Cash flow from financing activities	(1,072)	(1,138)	(637)
Exchange rate differences		2	6
Cash and cash equivalents, closing balance	2,240	2,421	2,877

The main components of the operating cash flows are gross inflows (insurance premiums and deposits for investment contracts without DPF), benefits, surrenders and claims paid and operating expenses including claim handling expenses.

Fortis's insurance companies generate a substantial operating cash flow from operations because most premiums are received in advance of the time when claim payments or policy benefits are required. Other sources of funds include net investment income and proceeds from sales or maturity of investments. The major uses of these funds and premiums received are to acquire investments for policyholders, to provide life policy benefits, to pay surrenders and profit sharing for life policyholders, to pay non-life claims and related claims expenses, and to pay other operating costs.

The cash flow from financing activities relate primarily to the payment of dividends to the holding companies and the repayments/maturities/issuance of loans.

These positive operating cash flows, along with that portion of the investment portfolio that is held in cash and highly liquid securities, have historically met the liquidity requirements of Fortis's insurance companies, as evidenced by the overall growth in the insurance investment portfolio.

In the insurance industry, liquidity generally refers to the ability of an enterprise to generate adequate amounts of cash from its normal operations, including its investment portfolio, to meet its financial commitments, which are principally obligations under its insurance contracts. The liquidity needs of Fortis's life operations are generally affected by trends in actual mortality experience relative to the assumptions with respect to such trends included in the pricing of its life insurance policies, by the extent to which minimum returns or crediting rates are provided in connection with its life insurance products, as well as by the level of surrenders and withdrawals. The liquidity of Fortis's non-life operations is affected by the frequency and severity of losses under its policies, as well as by the persistency of its products. Future catastrophic events, the timing and effect of which are inherently unpredictable, may also create increased liquidity requirements for Fortis's non-life operations.

Fortis's insurance companies' liquidity requirements are met on both a short-term and long-term basis by funds provided by insurance premiums collected, investment income and collected reinsurance receivables, and from the sale and maturity of investments. Fortis's insurance companies also have short- term credit lines to cover temporary liquidity needs.

Solvency Margins and Capital Requirements

The insurance operations of Fortis are subject to detailed, comprehensive regulation in all the jurisdictions in which Fortis does business. In addition, EC directives have had and will continue to have a significant impact on the regulation of the insurance industry in the EU as such directives are implemented through legislation adopted within each member state, including Belgium and The Netherlands.

Insurance companies in Belgium and The Netherlands are supervised by the Belgian Banking, Finance and Insurance Commission, the Belgian insurance regulator, and the Dutch Central Bank (DNB), the Dutch insurance regulator, respectively. Belgium and The Netherlands have adopted the EC Directives of 1973 and 1979 setting forth certain solvency requirements for non-life and life insurance companies, respectively. Such solvency requirements apply to all of Fortis's insurance subsidiaries in the EU.

Each of Fortis's Belgian, Dutch and other European insurance subsidiaries is in compliance with the applicable solvency requirements. At December 31, 2006 the available funds to cover the aggregate solvency requirements of Fortis's insurance businesses were EUR 10,404 million (2005: EUR 8,785 million; 2004: EUR 7,751 million), which was EUR 6,324 million (2005: EUR 5,028 million; 2004 EUR 4,306 million) above the legally required solvency levels of EUR 4,080 million (2005: EUR 3,757 million; 2004: EUR 3,445 million).

Bank Cash Flows

The condensed cash flow statement for the Banking operations is as follows:

	2006	2005	2004
		(EUR million)	
Cash and cash equivalents, opening balance	25,594	24,835	18,993
Cash flow from operating activities	(13,624)	8,938	9,504
Cash flow from investing activities	(4,790)	(11,663)	(7,098)
Cash flow from financing activities	13,763	3,348	3,467
Exchange rate differences	(151)	136	(31)
Cash and cash equivalents, closing balance	20,972	25,594	24,835

The main elements of the operating cash flow of the bank are the profits of the period and the balance between the loans to banks and customers versus the funding from banks and customers.

The principal sources of funds for Fortis's banking operations are growth of the deposit base, interbank loans, repayments of existing loans and purchases of trading portfolio securities and investments. The interbank funding accounted for 26% of Fortis Bank's total liabilities and equity at December 31, 2006 (2005: 27%; 2004: 23%). The saving and deposits due to customers accounted for 39% of Fortis Bank's total liabilities and equity at December 31, 2006 (2005: 41%; 2004: 42%).

The major uses of funds in Fortis's banking operations are advances of loans and other credits, interbank lending, investments, purchases of trading portfolio securities, interest expense and administrative expenses.

Capital Adequacy

Capital adequacy and the use of capital are monitored by Fortis and its banking companies, employing techniques based on the guidelines developed by the Basel Committee on Banking Regulations and Supervisory Practices (the "**Basel Committee**") and implemented by the European Central Bank for supervisory purposes.

The Belgian and Dutch Central Banks, in common with other bank supervisors, regard the risk assets ratio developed by the Basel Committee as a key supervisory tool and set individual ratio requirements for banks in Belgium and The Netherlands, respectively. This ratio was designed to meet the dual objectives of strengthening the soundness and stability of the international banking system and of creating a fair and consistent supervisory framework for international banks by means of an international convergence of capital measurement and capital standards. The technique involves the application of risk-weightings to assets (which for this purpose includes both balance sheet assets and off-balance sheet items) to reflect the credit and other risks associated with broad categories of transactions and counterparties.

The Basel Committee guidelines set a minimum total risk asset ratio for all international banks of 8%. Bank capital adequacy requirements have also been established to comply with EU Directives. These Directives, as implemented in Belgium and The Netherlands, set forth capital standards similar to those of the Basel Committee guidelines.

The principal Directive is the EC Capital Adequacy Directive. This Directive establishes minimum capital requirements for banks and investment firms. The Capital Adequacy Directive is based on a proposal by the Basel Committee.

The risk asset approach to capital adequacy emphasizes the importance of Tier 1 (core) capital, comprising shareholder's equity, published reserves (minus revaluation reserves), hybrid loans with Tier 1 status and minority interest, minus intangible assets. Secondary or Tier 2 capital consists of revaluation reserves, long-term subordinated loans with a minimum/original maturity of at least five years and cumulative preference shares.

The concept of risk-weighting assumes that banking activities generally involve some risk of loss. For risk-weighting purposes, commercial lendings are taken as a bench-mark to which a risk-weighting of 100% is ascribed. Other transactions that are considered to present lower levels of risk than commercial lending, may qualify for reduced weightings. Off-balance sheet items are generally converted to credit risk equivalents by applying credit conversion factors laid down by the Basel Committee. The resultant amounts are then risk-weighted according to the nature of the counterparty. As a result, credit substitutes, such as standby letters of credit and acceptances, are allocated the same risk-weightings as similar on-balance sheet lending, while transaction-related off-balance sheet items such as performance bonds, are allocated a lower weighting in recognition of the smaller likelihood of loss from these instruments.

In the case of interest and exchange rate related contracts, the risks involved relate to the potential loss of cash flows rather than notional principal amounts. These risks are represented by the replacement cost (as defined by the Belgian Central Bank since the Banking, Finance and Insurance Commission is Fortis's primary regulator) of the contracts plus an add-on to reflect potential future volatility in replacement cost arising from movements in market rates.

Fortis uses Tier 1 and total capital ratios to monitor its solvency. Fortis strives to maintain a minimum Tier 1 capital ratio of 6% in its banking operations. The following table sets forth the risk-weighted capital ratios of Fortis's banking operations at the dates indicated, in each case calculated under the implementation of the relevant EC directives.

	As of September 30	As of December 31			
	IFRS	IFRS		B-GAAP	
	2007	2006	2005	2005	2004
Risk-weighted commitments	274,537	240,104	212,095	212,095	172,391
Tier 1 ratio	6.8%	7.1%	6.6%	7.4%	8.3%
Total capital ratio	10.8%	11.1%	10.1%	10.5%	11.6%

(1) The Tier 1 capital ratio is the ratio of Tier 1 capital, including equity capital and reserves and required deductions from Tier 1 capital to risk-weighted assets and commitments.

(2) The total capital ratio is the ratio of total capital, including equity capital, reserves and supplementary capital elements and required deductions from total capital to risk-weighted assets and commitments.

As of January 1, 2006, the basis for calculating the capital adequacy ratios moved from Belgian GAAP to IFRS. The transition to IFRS had an impact on the equity. The supervisors defined certain filters to exclude certain elements from equity. Due to the options chosen by Fortis in the transition to IFRS, the banking Tier 1 equity reduced by EUR 1.6 billion, primarily due to the recognition of deferred pension expenses (corridor) of EUR 1.1 billion. As of December 31, 2005, the Tier 1 ratio based on IFRS is 6.6%, compared to 7.4% under Belgian GAAP, and the total capital ratio is 10.1% under IFRS, compared to 10.5% under Belgian GAAP.[20]

Basel II. The Basel II rules are a set of new, more risk-sensitive rules for capital requirement calculations that came into effect as of January 1, 2007. The Basel II rules define the minimum capital that a financial institution must hold for unexpected events. These rules also provide minimum qualitative standards and risk management practices that a financial institution should have in place. The Basel II rules include capital requirements for operational risk in addition to credit risk and market risk, which are already covered in the current rules.

The Basel II rules were developed by the Basel Committee for Banking Supervision to replace the current rules, known as Basel I. The committee's first proposal for revising the capital adequacy framework was published in June 1999. Since then, the revised framework, the International Convergence of Capital Measurement and Capital Standards, was published in November 2005. Based on the recommendations of the revised framework, the Basel II rules were ratified by the European Union, which made necessary amendments to the CRD, the Recast Capital Requirements 200/12.

The Basel II rules are represented by three "pillars": Pillar I addresses the calculation of minimum regulatory capital requirements for credit, market and operational risk. Pillar II addresses the supervisory review process, the financial institution's capital adequacy assessment including other risk not addressed under Pillar I and the strategy for maintaining capital levels. Pillar III addresses market discipline and requirements regarding market disclosure of risk-related information.

Under Pillar I, financial institutions can choose from three approaches for the calculation of the credit risk capital: the Standardized method (which is similar to the current Basel I rules), Foundation Internal Ratings-Based (IRB) and advanced IRB — the difference being the sophistication of the capital requirement calculations. Under Foundation IRB and Advanced IRB, the financial institution uses its own calculation of risk-related variables that serve as the input in the calculation of capital requirement. For operational risk,

[20] The calculation of the Tier 1 capital ratio and CAD ratio for regulatory purposes was only applicable as from January 1, 2006. The December 31, 2005 calculation is only given for comparative purposes.

financial institutions can also choose from three approaches: the Basic Indicator approach, the Standardized approach and the Advanced Measurement Approach (AMA) — the difference being the sophistication of methods and the processes required for operational risk monitoring and quantification.

Fortis has applied for permission to use the Advanced Internal Ratings Based approach (AIRBA) to determine the capital requirements for credit risk and the Advanced Measurement Approach (AMA) for determining the capital requirements for operational risk as of January 1, 2008. Basel II will be applicable as of January 1, 2008 based on the final approval of the CBFA. The review related to the request for approval is on-going and based on Fortis's application file.

Fortis expects that Basel II will result in a significant reduction in risk weighted commitments related to credit risk and compensated some what by the introduction of capital requirements for operational risk. In the transition period from 2008 to 2010 certain capital floors will be applicable based on Basel I; the full capital release will only become available over that period.

Liquidity and Capital Resources of Fortis N.V. and Fortis SA/NV

Fortis N.V. and Fortis SA/NV are holding companies whose principal assets are their investments in Fortis companies. These investments are their sole assets other than certain "permitted" assets they may hold from time to time.

As holding companies, Fortis N.V.'s and Fortis SA/NV's principal source of earnings are therefore cash dividends received from Fortis companies. Fortis companies are subject to restrictions on the amount of funds they may transfer at any given time in the form of cash dividends or otherwise; in addition the insurance and banking companies are restricted in respect of minimum capital and solvency requirements that are imposed by insurance, banking and other regulators in the countries in which Fortis's subsidiaries operate.

From time to time the holding companies may raise funds via issuance of debt or equity securities. To issue debt, an issuing vehicle, Fortis Finance N.V., is used, which issues debt under the guarantee of Fortis N.V. and Fortis SA/NV under a EUR 4 billion commercial paper program and a EUR 15 billion European Medium Term Note program. To manage liquidity, Fortis Finance N.V. can cover its liquidity needs via a credit facility of EUR 1 billion, granted by unaffiliated third parties (maturing in 2009).

The liquidity and capital resource considerations for Fortis N.V. and Fortis SA/NV vary in light of the business conducted by the insurance and banking operations of Fortis. Insurance activities (premium and investment income) traditionally generate more cash inflow than has been required to meet maturities, surrenders, claims and expenses. In addition, at year end 2006 the insurance activities hold EUR 59.0 billion in investments available for sale (primarily debt securities and equities at fair value), which represents more than 96% of net technical provisions.

Almost by definition, banking activities have good access to capital markets. On top of this Fortis Bank has a strong retail funding base and benefits from a large volume of customer deposits, which covers 91% of its customer loan book. Fortis Bank's liquidity is further enhanced by its available for sale investment portfolio (EUR 128 billion at December 31, 2006), which consists primarily of fixed-income securities at fair value.

At December 31, 2006 Fortis N.V. held no receivables to Fortis companies under intercompany lending arrangements (2005: nil; 2004: EUR 70 million). At December 31, 2006 Fortis N.V. had EUR 37 million of available cash, compared to EUR 72 million end of 2005 and EUR 3 million in 2004.

At December 31 2006 Fortis SA/NV had EUR 41 million available in cash compared to EUR 9 million in 2005 and EUR 3 million in 2004.

The dividends declared over any year need to be funded from the dividend upstream of the next year.

Financing Programs and Available Credit Lines

Through its financing vehicle, Fortis Finance, Fortis utilises the capital markets to raise funding, including the European commercial paper market and the Euro Medium Term Note market. At December 31, 2006, Fortis Finance had EUR 0.3 billion outstanding under its EUR 4 billion Euro commercial paper program. EUR 5.6 billion was outstanding under Fortis EUR 15 billion EMTN program at the same date. In addition, Fortis Finance had a standby multi credit facility for EUR 1 billion. At December 31, 2006, no amount was outstanding under this credit line.

Fortis Bank organizes its own financing programs and credit lines. As co-issuer together with a Luxembourg-based vehicle named Fortis Luxembourg Finance S.A., it utilises a EUR 15 billion EMTN program for funding and capitalisation on an opportunistic basis. Via Fortis Luxembourg Finance S.A., Fortis Bank also enters in the Euro commercial paper market via a EUR 3 billion program, the U.S. commercial paper market via a US$7.5 billion program of Fortis Funding LLC and the Canadian commercial paper market via a CAD 2.5 billion program of FB Funding Company, and also issues via a US$3 billion MTN program of its Hong Kong branch. All debt issued under these programs carries a guarantee or subordinated guarantee of Fortis Bank. Since September 2006 Fortis Bank also uses a US$20 billion USMTN program, with Fortis Bank New York Branch and Fortis Bank Cayman Branch as co-issuers.

Fortis Bank Luxembourg S.A. and Fortis Bank Nederland (Holding) N.V., both subsidiaries of Fortis Bank, have their own programs. Fortis Banque Luxembourg has access to the capital markets via a US$15 billion EMTN program, a EUR 3 billion Euro CP program and a US$3 billion U.S. CP program. Fortis Bank Nederland (Holding) N.V. has access under a EUR 10 billion EMTN program. Next to these programs, various programs for issuance of Certificates of Deposit exist at the named banks.

On October 18, 2007 Fortis secured a revolving credit facility of EUR 10,000,000,000 with an international syndicate of banks. The facility will be used to finance a portion of the consideration payable by Fortis in connection with the ABN AMRO Acquisition.

Embedded Value (unaudited)

As part of its 2006 results, Fortis published the EV of its life insurance business in accordance with the EEV principles established by the CFO Forum of European insurance companies. The EEV Principles provide a framework intended to improve comparability and transparency in embedded value reporting across Europe. In complying with EEV Fortis has adopted a market consistent methodology ("**MCEV**" or Market Consistent Embedded Value). EV of life insurance operations provides additional information on the value of the in-force contracts and the value of new business. EV excludes any value attributable to future new business. The EV results are unaudited but the methodology and assumptions used in the calculation have been reviewed by an external actuary. The changes in a company's EV from year to year provides a measure of the profitability of the company's life insurance business.

Terms which are highlighted in bold below are defined later in this section.

Scope

- The Fortis Life entities included in the scope of EV are:
- Fortis Insurance Belgium (Insurance Belgium)
- Fortis Insurance Netherlands (Insurance Netherlands)
- Fortis Insurance International (Insurance International)
- Fortis Assurances in France
- Fortis Luxembourg-IARD and Fortis Luxembourg-Vie in Luxembourg
- Millenniumbcp Fortis in Portugal. In Fortis's annual accounts, Millenniumbcp Fortis is consolidated on a 100% basis, but is reported on a 51% basis for EV reporting in line with Fortis's holding.
- The minority shared joint venture VidaCaixa in Spain. In Fortis's annual accounts, VidaCaixa is reported on an equity only basis, but is reported on a 40% basis for EV reporting in line with Fortis's holding.

The Asian joint ventures (Taiping Life in China, Mayban Life in Malaysia and Muang Thai Life in Thailand), in which Fortis has a minority share, are not modeled and are included on a net equity value only.

EV 2006 results

Completing the transition to a Market Consistent approach and other modeling improvements resulted in a restatement of the 2005 Embedded Value. This restatement resulted in a reduction of EUR 208 million or 1.9%.

Key changes include a reduction of shareholders' equity mainly due to revaluation of elements of Insurance Belgium shareholder equity and re-allocation of assets to operating business at Insurance Netherlands. Both Certainty Equivalent Values of Operating Business ("**CE-VOB**") and Cost of Financial Options and Guarantees ("**CFOG**") reduced mainly because of the bottom up approach compared to the top down transition approach used last year. Additionally, the Cost of Non-Financial Risks ("**CNFR**") increased due to a change in modeling approach to align more closely with the Solvency II methodology developments. Finally, the reduction in Cost of Capital ("**COC**") is driven by improved modeling of taxes and investments costs.

	Fortis		Insurance Belgium		Insurance Netherlands		Insurance International	
	2005	2005 restated	2005	2005 restated	2005	2005 restated	2005	2005 restated
	(EUR million) (unaudited)							
EV	10,830	10,623	4,094	3,964	5,612	5,554	1,124	1,105
Total Shareholder Equity	6,340	5,998	2,292	2,100	3,396	3,249	652	649
Required Equity	4,117	4,276	1,695	1,857	1,776	1,776	646	643
Free Surplus	2,223	1,722	596	243	1,620	1,473	7	5
Value of Operating Business	5,358	5,291	2,138	2,216	2,664	2,562	556	512
Certainty Equivalent VOB	6,764	6,395	2,876	2,877	3,188	2,878	699	640
CFOG	(1,217)	(825)	(664)	(534)	(420)	(196)	(132)	(98)
CNFR	(189)	(279)	(74)	(126)	(104)	(120)	(10)	(33)
Cost of Capital	(867)	(667)	(336)	(353)	(447)	(257)	(84)	(56)

As a consequence of the new result related commission which Insurance Belgium pays to Fortis Bank in connection with the distribution of insurance products following the transfer of Fortis Bank Insurance to Insurance Belgium, the value of Insurance Belgium would have been EUR354 million lower if we had not applied the look through approach. In the look through approach the result related commission has been reversed. In 2006, the result related commission amounted to a post-tax payment to Retail Banking of EUR 49 million.

Compared to the restated 2006 opening value, the Embedded Value before dividends showed an increase in EV of 27% over Restated 2005 to EUR 13.5 billion at the end of 2006.

	Fortis	Insurance Belgium	Insurance Netherlands	Insurance International
	(EUR million) (unaudited)			
EV 2006 year end	12,307	4,833	6,249	1,225
Total Shareholders' Equity	6,562	2,230	3,691	640
Required Equity	3,955	1,472	1,780	702
Free Surplus	2,608	758	1,911	(61)
Value of Operating Business	6,291	2,878	2,769	644
Certainty Equivalent VOB	7,251	3,348	3,134	769
CFOG	(721)	(380)	(249)	(92)
CNFR	(239)	(91)	(116)	(33)
Cost of Capital	(547)	(276)	(211)	(59)

Change in Embedded Value

The Analysis of Change explains the movement in EV at 2006 year-start to the value at year-end by showing the different underlying components. The increase of 27% to EUR 13.5 billion before dividends is largely due to Value Added by New Business, higher interest rates and strong growth in share values. The dividends represent the payments out of Life Insurance activities within the EV scope.

	Value in Force	+	Shareholders' Equity	=	EV	Insurance Belgium	Insurance Netherlands	Insurance International
					(EUR million) (unaudited)			
Year-end 2005	4,491		6,340		10,830	4,094	5,612	1,124
Opening Adjustments	133		(341)		(208)	(130)	(58)	(20)
Year-start 2006	4,624		5,998		10,623	3,964	5,554	1,105
Operating assumption changes	124		(44)		80	101	(5)	(17)
Expected return	(307)		1,098		791	276	479	36
Variances	338		903		1,241	673	520	48
Change in economic assumptions	441		(33)		409	202	168	39
Value added by new business	524		(148)		377	189	85	103
EV before Dividends	5,744		7,776		13,521	5,406	6,802	1,313
Dividends under EV Life scope	—		(1,214)		(1,214)	(573)	(553)	(88)
Year-end 2006	5,744		6,562		12,307	4,833	6,249	1,225

The principal opening adjustment was restatement of embedded value of 2005 year-end to reflect changes resulting from the completion of the transition of aligning internal models. Other opening adjustments include a small increase in scope in Insurance Belgium.

Changes in Operating Assumptions include changes in tax and expenses assumptions at Insurance Netherlands, and changes in lapse assumptions (EUR (120) million) and a reduction in the level of required equity (EUR 137 million) as a result of raising additional admissible sub-debt for Insurance Belgium. Overall, the changes in Operating assumptions had a relatively small impact of EUR 80 million.

Expected return is the after-tax return on embedded value resulting from projections of assets and liabilities over the year based on expected "real world" returns. It includes the release of buffers for risk factors, including CFOG and CNFR. The Expected Return also reflects the release of modeled profits from the Value of the In-force business into Free Surplus, although the movement does not contribute to a change in value. In total, the Expected Return contributed EUR 791 million to the increase.

Variances measure the impact on EV of differences between actual compared to expected experience in the year. It includes the out performance of actual investment returns against the expectation on Share and Real Estate portfolios. The variance amounts to a total of EUR1.2 billion.

Change in Economic assumptions includes the impact on EV of changes in interest rate yield curves and volatilities and had an impact of EUR 409 million. The main effects are the impact of a higher yield improving margins on the block of in-force business with relatively higher guarantees. In addition, when interest rates go up the liabilities drop more in value than the assets because of an interest rate mismatch, which is typical for life insurance where assets have a shorter duration than our liabilities.

Value Added by New Business written in 2006 is EUR 377 million and is now calculated on a Market Consistent basis and includes an allowance for CFOG and CNFR.

The following table gives a breakdown of the VANB for the various life insurance entities.

	Fortis	Insurance Belgium	Insurance Netherlands	Insurance International
		(EUR million) (unaudited)		
EV 2006 year end	377	189	85	103
New Business Strain	(146)	(8)	(115)	(23)
Value of Operating Business	568	222	215	132
Certainty Equivalent VOB	635	258	231	146
CFOG	(48)	(28)	(9)	(11)
CNFR	(18)	(8)	(7)	(3)
Cost of Capital	(547)	(276)	(211)	(59)

The following table shows the key indicators for Sales and Margins. The reported IRR is calculated based on a traditional deterministic projection using realistic assumptions.

	Fortis	Insurance Belgium	Insurance Netherlands	Insurance International
	(unaudited) (EUR million, except %)			
Value Added by New Business	377	189	85	103
Value of Operating Business	568	222	215	132
New Business Strain	(146)	(8)	(115)	(23)
Sales & Margins PVNBP basis				
PVNBP 2006	11,335	5,169	2,344	3,822
VANB/PVNBP	3.3%	3.7%	3.6%	2.7%
Sales & Margins APE basis				
APE 2006	1,230	511	275	444
VANB/APE	31%	37%	31%	23%
IRR				
IRR 2005	14.0%	15.6%	9.0%	21.8%
IRR 2006	16.7%	25.8%	9.3%	21.6%

The overall VANB for Insurance Belgium would have been EUR 49 million lower if we had not applied the "look through" approach to profit-related commissions which will be paid by Insurance Belgium to Retail Banking.

To allow comparisons to the results of 2005, the 2006 VANB has also been calculated on a traditional method based on cash flows using real world investment return assumptions and discounted at a discount rate of 7.2% which is the 10-year risk free return plus 300bps Equity Risk Premium. This comparison is shown in table below.

	Fortis		FIB		FIN		FII	
	2005	2006	2005	2006	2005	2006	2005	2006
	(EUR million) (unaudited)							
Value Added by New Business	300	373	164	240	45	50	91	84
New Business Strain	(138)	146	(21)	(8)	(101)	(115)	(16)	(23)
Value of Operating Business	541	621	245	300	169	195	127	126
Cost of Capital	(103)	(102)	(61)	(52)	(22)	(30)	(20)	(19)
PVNBP	10,227	10,516	4,837	4,760	2,044	2,051	3,346	3,705

On this basis, the VANB increased by 24% from EUR 300 million to EUR 373 million driven by higher volumes and higher average margins. The higher margins are due mainly to an increase in target pricing at FIB. This increase is largely due to the assumed expected risk premium on Shares and Real Estate, which is not recognized under market consistent valuation methodology.

The overall impact of moving to MCEV is slightly positive although the overall result of methodology changes varies across businesses. The New methodology has no impact on New Business Strain.

The impact of moving to the MCEV basis can be positive or negative depending on the product mix, level of guarantees, asset mix, nature of profit sharing rules and the prevailing yield curve and level of volatilities.

Cost of Capital reduces because under MCEV it represents only the cost of taxes on investment returns and investment expenses relating to the Required Equity.

The Present Value of New Business Premiums ("**PVNBP**") is affected because the Risk Discount Rate used in the Traditional method is higher than the risk free yield curve used in the MCEV method.

	Fortis		FIB		FIN		FII	
	2006 Traditional method	2006 Market Consistent method	2006 Traditional method	2006 Market Consistent method	2006 Traditional method	2006 Market Consistent method	2006 Traditional method	2006 Market Consistent method
	(unaudited) (EUR million)							
Value Added by New Business	373	377	240	189	50	85	84	103
New Business Strain	(146)	(146)	(8)	(8)	(115)	(115)	(23)	(23)
Value of Operating Business	621	568	300	222	195	215	126	132
Cost of Capital	(102)	(44)	(52)	(25)	(30)	(14)	(19)	(6)
PVNBP	10,516	11,335	4,760	5,169	2,051	2,344	3,705	3,822

Important Terms

Embedded Value methodology

EV represents a valuation of Fortis's insurance business and comprises the market value of the shareholders' equity plus the value of the In-force portfolio. These components are defined as follows:

Embedded Value (EV) = Value of Shareholder Equity (VSE)
− Cost of Capital (CoC)
+ Value of Operating Business (VOB)

$\left.\begin{array}{l}\text{Cost of Capital (CoC)}\\ \text{Value of Operating Business (VOB)}\end{array}\right\}$ Value of In-force Business (ViF)

Value of Shareholder Equity ("VSE")

Shareholder equity equals the market value of the tangible assets backing Fortis's Life Equity including adjustments to ensure consistency with the calculation of the Value of Operating Business (VOB).

Value of Operating Business ("VOB")

The Value of Operating Business represents the value of assets and liabilities based on a market-consistent valuation of financial risks. It reflects the risk-adjusted value of the expected earnings emerging from the in-force policies by deducting the market consistent value of liabilities from the market consistent value of assets. This has previously been referred to as the Present Value of Future Profits (PVFP).

The VOB can be split into the following three risks:

Certainty equivalent value of operating business ("CE-VOB")

Certainty Equivalent Value corresponds to the value of the business without taking credit for any future investment risk premiums and represents the value as if all cash flows are certain and all investment assets earn a risk free return (on a market value basis), with the cash flows discounted at the same risk free return. This value captures the intrinsic value (or in-the-money value) of the financial options and guarantees.

Cost of Financial Options and Guarantees ("CFOG")

Cost of Financial Options and Guarantees represents the time value of options and guarantees and is based on stochastic scenarios, consistent with the approach used in financial markets.

The CFOG is disclosed explicitly to place a market-consistent value on the asymmetry of shareholder profits around the expected cost of financial options and guarantees embedded in the insurance cash flows. The expected or intrinsic cost of the financial options and guarantees is allowed for in the Certainty Equivalent value. All material financial options and guarantees in the portfolio are accounted for in the Embedded Value. The time value of CFOGs is derived as the difference between the Certainty Equivalent value and the stochastic value.

Cost of Non-Financial Risk ("CNFR")

The Cost of Non-Financial Risk is an allowance for all other non-financial risks which are currently not allowed for in the models.

In the past, in a traditional embedded value framework this risk was included in the general risk discount rate. Now with a MCEV framework the financial risks arising from options and guarantees are addressed through the CFOG, an additional separate adjustment is necessary for all other risks. The CNFR is an explicit deduction to place a value on the uncertainty of shareholder profits around the expected operational and insurance risks embedded in the insurance cash flows.

Fortis' CNFR is now calculated based on an annual charge on a part of the solvency capital required to be held for these specific risks. Fortis has chosen to calibrate the annual charge on the solvency capital held for these risks as a simple 0.5% post-tax charge of the projected total required equity each year. Until calibrations and methodological details are more certain and the models can be improved to allow for the uncertainty of shareholder profits around non-financial risks,

Cost of Capital ("CoC")

The operating business cannot exist without Fortis meeting a number of solvency capital requirements including local regulatory, rating agency and economic capital. Meeting these requirements necessitates the locking in of a portion of the shareholders' equity (i.e. the Required Equity). Since this is locked in and cannot be released to the shareholder, the shareholder can only benefit via the investment yield earned on the investment assets backing the equity and therefore pays both the tax costs on this investment yield as well as any investment expenses. The Cost of Capital represents the value lost through incurring these tax and investment expenses on the Required Equity.

Value Added by New Business ("VANB")

As part of the transition in 2006, the internal models have been adapted to allow the bottom-up market consistent methodology to value the block of new business. The VANB represents the value of new assets related to new business premiums and liabilities based on a market-consistent valuation of financial risks and deductions for CNFR, CoC and the first year losses (New Business Strain).

The Value Added by New Business includes only premiums arising from contracts sold during 2006 and does not include future new business. The VANB is valued based on year-end assumptions.

Tax

Tax is modeled bottom-up. Appropriate tax rates are applied to direct and indirect returns on participations, shares, real estate and bonds. In all other cases the appropriate local corporate tax rate is applied.

Where tax can be deferred this is generally modeled within the cash flows projections and taken into account in the valuation. However, in cases where, in principle, tax could be deferred during the entire run-off period, Fortis takes the conservative assumption that in practice this may not be sustainable and instead model the tax rate as converging over time to the local corporate tax rate.

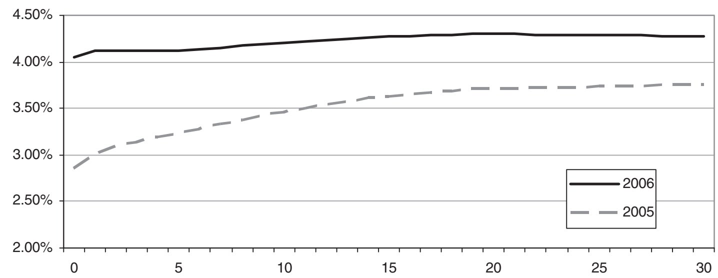
Assumptions and Sensitivities

The assumptions underlying the projections of the Embedded Value at 2006 year-end are described below.

Economic assumptions

Market yield

The basis for the Risk Free investment return assumptions in the market consistent valuation is the Euro swap curve at 29/12/2006 and is sourced from Fortis Bank. These rates are plotted below (rates after year 30 are assumed to remain flat). Fortis uses this curve to extract forward reinvestment yields that are used for all asset classes.



Fortis uses a stochastic economic scenario generator to produce 1,000 arbitrage free scenarios of future investment returns on each asset class, based on the yield curve above and the volatilities as given in the section below. In 2006 Fortis improved it's economic scenario generator based on a more sophisticated interest rate model and implied volatilities based on current market data that allows a better calibration to market values. This contributed to a reduction of CFOG values in relation to the scenarios used in 2005.

Volatilities

Volatilities for shares and real estate are based on current market data. Volatilities in interest rates are a selection of the sample of at-the-money swaptions quotes as at 29/12/2006 used to calibrate the interest rate model.

	2006	2005 Restated
10 year swap (5 year option/10 year option)	13.3% / 12.2%	16.2% / 14.3%
15 year swap (5 year option/10 year option)	13.1% / 12.2%	15.8% / 14.1%
Shares	22.7%	22.9%
Real estate	10.1%	10.1%

Source: *Fortis Bank*

Asset mix and correlations

Asset mix is based on Market Value and for assets for the general account, split into assets allocated to value of shareholders' equity and to value of operating business.

The economic scenarios have been generated taking into account target correlations between the major asset classes, being shares, real estate and short rates for fixed income.

The asset mix for 2005 restated, compared to 2005 published, shows a difference which is mainly due to a representation of the mix on a market value compared to an IFRS value at previous year end.

	2006				2005 restated			
	Fortis	Insurance Belgium	Insurance Netherlands	Insurance International	Fortis	Insurance Belgium	Insurance Netherlands	Insurance International
Operating Business								
Fixed income	85%	82%	84%	97%	86%	82%	86%	97%
Shares	10%	13%	10%	2%	9%	12%	8%	2%
Others (Real Estate & cash)	5%	5%	6%	1%	5%	6%	6%	1%

Traditional (i.e. real world) investment return assumptions

The real world investment return assumptions from a traditional point of view are:

- *Equity Risk Premium:* The Equity Risk Premium has been assumed to be 300bp above the risk free return.
- *Real Estate Risk Premium:* The real estate risk premium has been assumed to be 200bp above the risk free return.

Note that these assumptions do not influence the final valuation, since higher expected returns will have an equal effect on the variance representing the difference between actual and Expected Return.

Inflation

Inflation is assumed to be 1.9% flat over all years.

Operating assumptions

Modeled expenses start at the actual 2006 expense level and are modeled taking into account the inflation rate over the projection period. Future commission payments follow the schemes agreed with the parties entitled to the payments. No account is taken of the effect of future expense reduction programs, productivity gains or integration synergies and no material non-recurring expenses have been identified.

The EV allows for the long-term cost of providing pension benefits to Fortis' staff in the Life entities as recognized under IAS 19.

The total unallocated central overheads in 2006 were EUR 194 million relating to all banking, insurance and central activities. The share for the life insurance activities of these expenses have not been taken into account in the embedded value or Value of New Business.

Each entity sets mortality and lapse rates at best-estimate level, based on its knowledge of the local markets and experience studies. All assumptions are actively reviewed each year and revised if required.

In certain cases, the dynamics of the insurance business that reflect either policyholder behavior or flexibility of management actions are not allowed for in the models. This includes dynamic lapsing (i.e. lapses that vary according to economic conditions), the ability of management to change guarantees on future premiums on certain products as well as to optimize their benefits from pooling aspects for participating business. The CNFR is an allowance for the uncertainty of shareholder profits around the risks not currently allowed for in the models.

Sensitivities

The Embedded Value calculations are based on the current market conditions and Fortis's view on best estimate assumptions. As provided for in the EEV guidance, Fortis provides information on the following sensitivities to demonstrate their impact on the Embedded Value and Value Added by New Business.

- Risk free rate +100 bp — This sensitivity assumes an upward parallel shift of 100 bp in yield curve.

- Risk free rate -100 bp — This sensitivity assumes a downward parallel shift of 100 bp in yield curve.

- Asset values of shares and real estate — 10% — This sensitivity assumes a decrease of the asset values of both shares and real estate by 10%.

- Volatilities equities and properties +10% — This sensitivity assumes a 10% increase of both the equity and real estate volatility by multiplying the base assumption by a factor of 110%.

- Volatilities risk-free yields +10% — This sensitivity assumes a 10% increase of the volatility of the risk free yields by multiplying the base assumption by a factor of 110%.

- Costs -10% — all maintenance costs excluding commissions and acquisition expenses decrease by 10%. Cost inflation remains unchanged.

- Lapse -10% — This sensitivity assumes that the lapse rates used in the base scenario are multiplied by a factor of 90%.

- Mortality -5% — This sensitivity assumes that the mortality rates used in the base scenario are multiplied by a factor of 95%. This has been applied on both annuity and life assurance business.

- Required Capital on the local regulatory minimum level — This sensitivity assumes that the Required Capital to hold is only to meet the minimum local regulatory requirements.

The following table shows the impact of the above sensitivities on the in-force business for 2006.

	Fortis	Insurance Belgium	Insurance Netherlands	Insurance International
Base case EV **(EUR million)**	12,307	4,833	6,249	1,115
Risk free rate +100bp	5.9%	6.6%	4.3%	11.9%
Risk free rate −100bp	(11.9)%	(14.3)%	(8.6)%	(19.5)%
Asset values shares and real estate −10%	(8.7)%	(11.1)%	(8.1)%	(2.7)
Volatilities equities and properties +10%	0.0%	(0.1)%	0.2%	(0.6)%
Volatilities risk-free yields +10%	(0.7)%	(1.1)%	(0.5)%	(0.5)%
Required Equity (minimum regulatory level)	1.6%	1.9%	1.5%	1.0%
Costs −10%	2.1%	2.3%	1.7%	3.4%
Mortality rates −5%	0.2%	0.4%	0.2%	(0.7)%
Lapse rates −10%	0.0%	(0.7)%	0.4%	0.7%

The following table shows the impact of the above sensitivities on the value added by new business (VANB).

	Fortis	Insurance Belgium	Insurance Netherlands	Insurance International
Base case EV (**EUR million**)	377	189	85	103
Risk free rate +100bp	17.6%	21.8%	24.2%	4.2%
Risk free rate −100bp	(35.7)%	(55.5)%	(25.2)%	(8.1)%
Volatilities equities and properties +10%	0.7%	(0.7)%	6.5%	(1.4)%
Volatilities risk-free yields +10%	(5.2)%	(2.4)%	(17.1)%	(0.5)%
Required Equity (minimum regulatory level)	4.2%	4.4%	7.0%	1.5%
Costs −10%	8.8%	9.7%	11.2%	5.0%
Mortality rates −5%	5.6%	2.9%	18.6%	(0.4)%
Lapse rates −10%	4.4%	(0.0)%	9.8%	8.0%

Recent Developments

Fortis announced its results for the nine month period ended September 30, 2007 on November 8, 2007. The following summary consolidated income statement information for the nine months ended September 30, 2007 and September 30, 2006 is set forth below.

	Nine Months Ended September 30,		
	2007	2006	Change
	(unaudited) (EUR million, except % and per share data)		
Net profit before results on divestments			
Banking	2,649	2,644	0%
Insurance	1,058	1,087	(3)%
General	(127)	(129)	0%
Total	3,580	3,602	(1)%
Results on divestments (Assurant)	0	0	*
Net Profit	3,580	3,602	(1)%
Basic EPS (in EUR)(Basic)	2.32	2.34	
Basic EPS before results on divestments	2.29	2.30	
Net equity per share (in EUR)	15.69	15.41	
Return on equity (as) %	21.5%(1)	22.0(2)	

(1) Rolling average, based on last four quarters, excluding results on divestments.

(2) Refers to full year 2006.

Consolidated results of operations

Net profit attributable to shareholders of EUR 3,580 million in the first nine months of 2007 was virtually stable compared with the first nine months of 2006. Results across Banking, Insurance and General were similar to those achieved during the same period in 2006.

Banking net profit for the nine months ended September 30, 2007 was EUR 2,649 million, exceeding the results achieved in the same period in 2006 (EUR 2,644 million). This positive result was mainly due to Fortis's diversified earning sources which demonstrated resilience despite the market turmoil and its sustained commercial progress.

Total income growth was offset by rising expenses, as investments in growth programs continued. In line with earlier guidance, impairments at the nine months ended September 30, 2007 stood at EUR 200 million. The lower tax charge compared with the same period in 2006 was the combined result of a structurally lower tax rate and a more favourable revenue mix.

Fortis Insurance continued to perform well in the first nine months of 2007, with net profit amounting to EUR 1,058 million, a slight decrease compared with the first nine months of 2006. This result was achieved despite the severe impact of Windstorm Kyrill in the first quarter and flooding in the UK in June and July 2007. These effects were almost fully offset by an 18% rise in Life results to EUR 799 million.

The net negative result of General for the first nine months of 2007 came to EUR 127 million, in line with the first nine months of 2006. This was due to negative and positive factors offsetting each other.

Positive contributors were the EUR 128 million capital gains realized on the sale of an equity participation, lower negative eliminations of treasury shares, favourable changes in the fair value of other derivatives and higher tax credits.

Negative contributors were unfavourable fair value changes relating to the Assurant Mandatory Exchangeable Bond (MEB), the absence of the one-off EUR 77 million surrender penalty that enhanced the 2006 results, increased financing charges and higher costs.

Funds under management amounted to EUR 206 billion, up 8% on year-end 2006. Half of this increase was driven by strong inflow and the remainder was due to the favourable impact of capital markets. Net inflow remained strong in the first nine months of 2007, at EUR 8.7 billion, with Asset Management accounting for three-quarters of this result and Private Banking for the remaining one quarter.

Fortis has a well diversified and highly rated structured credit investment portfolio, with more than 97% of the EUR 53 billion assets rated AAA, AA or A. This includes the EUR 18.2 billion assets of the Scaldis conduit. Scaldis is a special purpose vehicle, fully consolidated by Fortis.

If the current market environment persists, it is envisaged that by year-end the net exposure of the subprime Collateral Debt Obligations ("**CDOs**") portfolio will be less than 10% of Fortis's total structured credit portfolio and will consist only of Super Senior tranches in High Grade and Mezzanine. Fortis's net exposure to Mezzanine tranches at year-end is expected to be around EUR 0.4 billion with a coverage ratio of approximately 40%.

Solvency

	At September 30, 2007	At December 31, 2006
	(unaudited) (EUR billions, except %)	
Share capital and reserves	14,861	12,264
Net profit attributable to shareholders	3,580	4,351
Unrealized gains and losses	1,864	4,029
Shareholders' equity	20,305	20,644
FRESH Capital securities	1,154	1,108
Minority interests	917	907
Revaluation or real estate for fair value	1,538	1,465
Revaluation of debt securities, net of tax and shadow accounting	1,106	(672)
Revaluation of equity securities, net of tax and shadow accounting	(700)	(967)
Goodwill	(1,515)	(1,017)
Expected dividend	—	(1,066)
Other	(1,402)	(870)
Core equity	21,403	19,532
Innovative capital instruments	3,532	3,531
Extended core capital[(1)]	24,935	23,063
Subordinated loans	12,675	10,735
Other prudential filters and deductions on total capital	(3,059)	(2,017)
Total capital	34,551	31,781

(1) Corresponds to Tier 1 capital in Banking.

Core equity target

The three components of the Fortis equity model are:

- a capital target for Fortis Bank equal to a ratio of 7% Tier 1 capital to risk-weighted commitments, including 1% hybrid capital. This implies a target of 6% core equity to risk-weighted commitments;
- a capital target for Fortis Insurance equal to 225% of the regulatory minimum, including 50% of hybrid capital. This implies a core equity target of 175% of the regulatory minimum;
- a Group leverage target (at General) equal to 15% of the total core equity of Banking plus the core equity of Insurance, implying that 15% of Banking and Insurance's combined target core equity could be financed by group debt.

The key capital indicators of Fortis can be shown as follows:

	At September 30, 2007	At December 31, 2006
Core equity	21,403	19,532
Core equity target	20,014	17,733
Amount of core equity above target	1,389	1,799
Total capital	34,551	31,781
Minimum solvency requirements	26,005	22,898
Amount of total capital above minimum solvency requirements	8,546	8,883

The issuance of CASHES by Fortis Bank pursuant to this offering is expected to have an additional positive impact on total capital of EUR 3 billion.

Banking

Income statement

	Nine Months Ended September 30, 2007	2006 (unaudited)	Change
	(EUR million, except %)		
Net interest income	3,958	3,920	1%
Net commissions and fees	2,231	2,068	8%
Realized capital gains (losses) on investments	670	407	65%
Other (un)realized gains and losses	1,189	1,060	12%
Dividend and other investment income	210	226	(7)%
Other income	198	197	1%
Total income	8,456	7,878	7%
Change in impairments	(200)	(68)	*
Net revenues	8,256	7,810	6%
Staff expenses	(2,950)	(2,669)	11%
Other operating and administrative expenses	(2,198)	(1,887)	17%
Total expenses	(5,148)	(4,556	13%
Profit before income tax	3,108	3,254	(5)%
Income tax	(448)	(601)	(25)%
Net profit for the period	2,660	2,653	0%
Net profit attributable to minority interests	11	9	22%
Net profit attributable to shareholders	2,649	2,644	0%

Activity based presentation of Net interest income, Realized capital gains (losses) on investments and Other (un)realized gains and losses

	Nine Months Ended September 30, 2007	2006 (unaudited)	2006 Change
	(EUR million, except %)		
Net interest income on interest-margin products	3,938	3,830	3%
Capital gains on investment portfolio	596	363	64%
Treasury and financial markets	1,283	1,194	7%

Banking Key Performance Indicators

	Nine Months Ended September 30, 2007	2006 (unaudited)	Change
Cost/income ratio	60.8%	57.8%	
Operating leverage(1)	(5.7)%		
Credit Risk Weighted Commitments (RWCs) (EUR million)	243,229	218,912	11%
Credit loss ratio (basis points)(2)	11	4	*
Credit Quality (EUR million)			
Total loans to customers	329,958	288,078(2)	15%
Non-performing loans	5,629	5,582(2)	1%
As a percentage of total loans to customers	1.7%	1.9%	

(1) Operating leverage is defined as the difference between the percentage growth in total revenues, prior to changes in provisions and in total expenses.

(2) As a percentage of average Credit RWCs.

Nine Months ended September 30, 2007 Compared with Nine Months Ended September 30, 2006

Banking reported a net profit of EUR 2,649 million for the first nine months of 2007, exceeding the results achieved in the same period in 2006 (EUR 2,644 million). This positive result was mainly due to Fortis's diversified earning sources and its sustained commercial progress.

Compared with the nine months ended September 30, 2007, total income increased 7% to EUR 8.5 billion in the nine months ended September 30, 2007. Growth derived virtually equally from net interest income and commissions on the one hand, and market-driven capital gains and treasury and financial markets results on the other.

Year to date commercial activity continued its positive performance, as evidenced by 14% underlying growth in lending, a 6% increase in deposits and an 8% rise in funds under management. Higher capital gains for the nine months ended September 30, 2007 compared to the nine months ended September 30, 2006 were mainly related to the financing of the ABN AMRO acquisition.

Total income growth for the nine months ended September 30, 2007 was, however, offset by rising expenses, as investments in growth programmes continued. In line with earlier guidance, impairments at the nine-month stage stood at EUR 200 million, reflecting higher additions at Merchant & Private Banking related to the global capital markets turmoil as well as a one-off item in Retail Banking in the third quarter of 2007.

The lower tax charge for the nine months ended September 30, 2007 compared to the nine months ended September 30, 2006 was the combined result of a structural reduction of the Dutch corporate tax rate, the establishment of the Belgian treasury centre, the structure of treasury and financial markets results and the capital gains mix.

Total income for the first nine months of 2007 was EUR 8,456 million, up 7% on the same period in 2006. Underlying growth, however, was 9%, excluding accounting, timing and exceptional factors that would distort the year-on-year comparison and including the grossing up effect on the trading results. Revenues for the nine months ended September 30, 2006 benefited from EUR 146 million of the non-qualifying hedge (i.e. a hedge whose actual results are below the effectiveness rate of 80-125%), higher mortgage prepayment fees of EUR 66 million and a EUR 14 million timing difference in revenues related to the Global Securities business, offset by a EUR 77 million penalty on an internal financing repayment. Revenues for the nine months ended September 30, 2007 were negatively affected by a EUR 38 million one-off correction at Fortis Hypotheekbank in the second quarter.

As the underlying growth was well distributed across all major revenue lines, net interest income and net commissions together still account for about three-quarters of total income, providing a very stable and recurring revenue base. Two-thirds of the underlying growth in net interest income and commissions was generated by activities earmarked as growth engines.

Net interest income on interest-margin products for the nine months ended September 30, 2007 amounted to EUR 3,938 million, up 3% compared with the same period in 2006. Underlying growth amounted to 6%, excluding the above-mentioned lower prepayment fees and the one-off correction at Fortis Hypotheek Bank. This increase was mainly driven by volume growth, more than offsetting a lower average duration of equity and lower margins as a result of competition and the shape of the yield curve.

Double-digit growth rates in net interest income for the nine months ended September 30, 2007 in those businesses that are mostly loan-based — such as Turkey, Consumer Finance, Commercial Banking, Corporate, Institutional & Public Banking, Energy, Commodities & Transportation and Specialised Financial Services — more than offset slight decreases at the deposit-taking businesses, such as Retail Banking Belgium and Private Banking. As a result, the growth at Merchant & Private Banking and the slight rise at Retail Banking (both adjusted for transfer of Fortis Bank France) more than compensated for the drop in ALM results at Other Banking.

Sustained business growth was supported by a steady increase in both underlying loan volumes and deposits. Loan volumes, excluding securities lending and reverse repurchase agreements, rose by 14% in the first nine months of 2007, with commercial loans advancing 22%, consumer loans 13% and residential mortgages 4%. Total customer deposits were up 6% on the 2006 year-end level. However, retail customers continued to prefer time deposits to saving deposits, impacting the overall margin.

Credit risk-weighted commitments climbed to EUR 243.2 billion for the nine months ended September 30, 2007, up 11% compared to year-end 2006. This rise was driven by strong volume growth particularly at

Merchant & Private Banking. Total risk-weighted commitments amounted to EUR 274.5 billion, up 14% on year-end 2006.

Net commissions and fees year-to-date advanced 8% to EUR 2,231million. Two-thirds of this growth was due to fees generated by funds under management on the back of a substantially higher fee base, supported by the positive net intake at Asset Management and Private Banking. Fees earned on payment transactions, insurance and securities brokerage all contributed in approximately equal measure to the remaining part of the increase.

Capital gains on the investment portfolio amounted to EUR 596 million in the first nine months of 2007, up 64% on the same period in 2006. This increase can be explained by the sale of a number of non-strategic equity holdings (including Banco Comercial Português and Kasbank) in the run-up to the financing of the ABN AMRO acquisition. These sales were booked in the second and third quarter of 2007.

Treasury and financial markets income for the first nine months of 2007 increased by 7% to EUR 1,283 million. Treasury and Financial Markets' revenues consist of trading and non-trading income. The latter was the driving force behind the year-to-date increase in the results, offsetting weaker — yet still positive — trading results in the difficult market environment of the third quarter 2007.

Non-trading revenues (mainly Private Equity, Global Securities & Financing Group, Credit Hedging and the fair value part of the ALM portfolio) increased significantly in the first nine months of 2007, due mainly to the strong performance of Private Equity.

- Private Equity (reported under Investment Banking) benefited from revaluations of funds combined with exits, generating EUR 226 million in revenues, up 37%.
- Global Securities & Financing Group (GSFG) contributed EUR 299 million, slightly more than the same period last year. Three-quarters of these revenues were realised in the second quarter.
- The Credit Portfolio Management unit, which manages the credit risk of Merchant & Private Banking, recorded a total negative revaluation of EUR 14 million for the first nine months of 2007. The widening of the credit spreads in the third quarter of 2007 led to a positive revaluation of EUR 24 million, which partly reversed the EUR 37 million loss of the first half of 2007.
- Treasury and financial markets income reported under Other Banking reflects significantly higher results from open derivative positions and prepayment fees on long-term deposits.

Trading revenues (adjusted for grossing up) amounted to EUR 552 million in the first nine months of 2007, down 21% year-on-year. This decrease can mainly be attributed to the global capital markets turmoil and subsequent liquidity crisis. The Forex and Rates Group continued to perform strongly, supported by market volatility, despite the higher cost of funding in money markets. The Capital and Markets Group was negatively affected by the adverse market conditions in the third quarter, leading to negative revaluations in the structured credit business. The Global Equity Group continued to capitalise on volatile markets, although activity slowed and equity markets declined in the third quarter, resulting in a negative gross-up of the results (taxation effect). The EUR 552 million in trading results for the first nine months of 2007 are above the EUR 500 million considered to be the cycle-neutral annual floor for this activity. The positive Global Markets' trading results should be considered in light of an average daily Value at Risk (VaR) that remained at a moderate EUR 27.5 million in the third quarter of 2007, compared with EUR 32.5 million in the first half of 2007.

At EUR 200 million, the **change in impairments** in the nine months ended September 30, 2007 reflected overall growth of Fortis's credit portfolio, higher additions at Merchant & Private Banking related to the global capital markets turmoil and a one-off in Retail Banking.

The overall **credit loss ratio** for the first nine months of 2007 (calculated as a percentage of average credit risk-weighted commitments) rose to 11 basis points, in line with earlier guidance.

Total expenses in the first three quarters of 2007 were up 13% on the same period in 2006, reaching EUR 5,148 million. Two-thirds of this growth was generated by the rapidly expanding businesses of Merchant & Private Banking and the remainder was due to Retail Banking and Asset Management. Excluding scope changes and some one-offs, underlying growth amounted to 11%. Various investments in initiatives aimed at achieving future growth account for 8% of this rise and the remaining underlying organic growth was 3%.

The cost/income ratio for the nine months ended September 30, 2007 amounted to 60.8%.

The 13% increase in expenses stemmed virtually equally from staff expenses and other operating expenses.

Staff expenses were EUR 2,950 million for the nine months ended September 30, 2007, an increase of EUR 281 million or 11% compared with the same period in 2006. More than half of the rise in staff expenses was due to wage drift and an increase in the number of staff, and an additional 3% was caused by recruitments made in support of investments in growth programs. Finally, the consolidation of acquisitions and 2006's one-off pension provision release each accounted for 1% of the increase.

Total Banking FTEs reached 46,913 at the end of the third quarter, up 3,898 or 9% on the previous year. Almost one-third of staff additions were related to recent acquisitions, including Dominet and Cinergy. Excluding scope changes, the balance of FTE hiring essentially took place at the growth engines and was divided equally between Merchant & Private Banking and Retail Banking. In particular, recruitments were made to support the expansion of Consumer Finance, Turkey, Global Markets, Specialised Financial Services, Clearing Funds & Custody and Services to Hedge Funds.

Other operating and administrative expenses increased to EUR 2,198 million in the nine months ended September 30, 2007, rising 17% from EUR 1,887 million in the first three quarters of 2006. More than half of such increase can be attributed to strategic investments, such as updating of the bank technology infrastructure, expansion of distribution networks in Germany, Turkey and Poland, and Merchant & Private Banking's business expansion in the US, UK and Asia. The remainder was due to 4% organic growth, consolidation of acquisitions (2%) and one-offs (2%).

The effective **tax rate** was a low 14% for the first nine months of 2007, compared with 18% for the same period in 2006. This lower rate was due mainly to the structure of treasury and financial markets results, the mix of capital gains (largely tax-exempt equity deals), the reduced corporate tax rate in The Netherlands and the establishment of the Belgian treasury centre.

Retail Banking Network

The following table sets forth selected income statement data for the Retail Banking Network Segment for the periods indicated:

	Nine Months Ended September 30,		
	2007	**2006**	**Change**
		(unaudited) (EUR million, except %)	
Income Statement			
Net interest income	1,988	2,013	(1)%
Net commissions and fees	816	770	6%
Realized capital gains (losses) on investments	10	11	(9)%
Other (un)realized gains and losses	37	33	12%
Dividend and other investment income	9	12	(25)%
Other income	451	483	(7)%
Total income	3,311	3,322	0%
Change in impairments	(124)	(117)	6%
Net revenues	3,187	3,205	(1)%
Staff expenses	(856)	(814)	5%
Other operating rand administrative expenses	(352)	(307)	15%
Allocated expenses(1)	(994)	(993)	0%
Total expenses	(2,202)	(2,114)	(4)%
Profit before income tax	985	1,091	(10)%
Income tax expenses	(200)	(289)	(31)%
Net profit for the period	785	802	(2)%
Net profit attributable to minority interests			
Net profit attributable to shareholders	**785**	**802**	**(2)%**

(1) The expenses from shared services are recorded in other banking and allocated to the banking segment.

Activity based presentation of Net interest income, Realized capital gains (losses) on investments and Other (un)realized gains and losses

	Nine Months Ended September 30, 2007	2006	Change
	(unaudited) (EUR million)		
Net interest income on interest-margin products	1,988	2,012	(1)%
Capital gains on investment portfolio	10	12	(17)%
Treasury and financial markets	37	33	12%

Retail Banking Network Key Performance Indicators

	Nine Months Ended September 30, 2007	2006	Change
	(unaudited) (EUR million, except %)		
Cost/income ratio	66.5%	63.6%	
Operating leverage(1)	(4.5)%		
# of FTE at period-end	18,290	16,231	13%
# of Fortis Bank branches at period-end	1,526	1,519	0%
Belgium	1,072	1,092(2)	(2)%
Netherlands	158	159(2)	(1)%
Luxembourg	37	37(2)	0%
Turkey	226	202(2)	12%
Poland	33	29(2)	14%
Funds under management (at period-end in EUR billions)	8	7(2)	14%

(1) Operating leverage is defined as the difference between the percentage growth in total income, prior to changes in provisions and in total expenses.

(2) Refers to year-end 2006.

The retail activities of Fortis Bank France were transferred from Retail Banking to Merchant & Private Banking in the second quarter of 2007, without re-stating prior periods. This transfer may consequently distort comparisons for both Retail Banking and Merchant & Private Banking.

Net profit in the first nine months of 2007 amounted to EUR 785 million, EUR 17 million (2%) lower than in the same period last year. Total income remained stable, change in impairments increased by 6% to EUR 124 million and total expenses increased 4% to EUR 2,202 million. The increase in expenses was due to investment in growth engines. The impact of the latter two factors was curbed by the lower effective tax rate, as a large proportion of allocated ALM income (in Other Income) related to non-taxable capital gains on equity stakes.

Total income amounted to EUR 3.3 billion in the first nine months of 2007, in line with the results for the same period in 2006. Net commissions and fees — 6% higher than in 2006 — represented 23% of total income.

Net interest income decreased 1% to EUR 1,988 million for the nine months ended September 30, 2007. Robust growth in Turkey and at Consumer Finance compensated for lower net interest income in Belgium and The Netherlands. The decrease in The Netherlands was due to EUR 23 million lower mortgage penalty fees, whereas Belgium was adversely impacted — particularly in the first half of 2007 — by a shift in customer preference away from saving deposits to time deposits, which generate lower margins. Both negative effects were offset by a 40% rise in net interest income in Turkey, due to healthy volume growth of both loans and deposits at high margins. Approximately two thirds of the net interest income growth at Consumer Finance was due to the inclusion of Dominet, while the remainder was mainly due to Fortis's German operations.

Customer deposits rose by EUR 5 billion or 5% year-on-year to EUR 95 billion at September 30, 2007. Given the flat yield curve and the rise in short-term rates, customer preferences shifted towards time deposits and away from traditional saving deposits in all regions. Time deposits grew sharply to EUR 21 billion from EUR 12 billion a year earlier, helped by a EUR 6 billion shift away from savings deposits. The persistent surge in time deposits was seen across the board but particularly at Retail Banking Belgium, where these increased by EUR 7 billion.

Loans to customers rose by 10% year-on-year to EUR 83 billion at September 30, 2007. The main contributors were growth in residential mortgages in Belgium (up EUR 2.1 billion) and The Netherlands (up EUR 2.2 billion), the EUR 0.8 billion increase in commercial loans in Belgium and the EUR 0.8 billion increase in consumer loans at Consumer Finance.

Net commissions and fees reached EUR 816 million for the nine months ended September 30, 2007, an increase of EUR 46 million or 6% compared with the first nine months of 2006. The largest part of this increase was realized in Belgium where asset-gathering efforts resulted in significant off-balance sheet growth in investment and insurance products. Turkey was also responsible for the increase, having recorded a 22% rise in commissions, predominantly on credit cards. The remainder of the increase was split between Germany, Luxembourg and Poland.

All other revenue lines together contributed EUR 507 million, which is 6% lower than in the same period in 2006. The main reason for this was the lower contribution of the ALM results.

The **change in impairments** was EUR 124 million in the nine months ended September 30, 2007, EUR 7 million higher than last year.

Total expenses came in at EUR 2,202 million in the nine months ended September 30, 2007 — an increase of 4% or EUR 88 million compared with the first nine months of 2006. Investment in the distribution networks in Germany, Turkey and Poland accounted for the majority of this rise in expenses, which was split equally between staff and other operating expenses. The remainder is a reflection of the underlying growth of the business which generates the need for additional resources to cope with increased client activity and increased volumes and transactions.

Staff expenses increased EUR 42 million (or 5%) in the nine months ended September 30, 2007 compared with the same period in 2006 to EUR 856 million. The number of FTEs stood at 2,684 in the first nine months in 2007. This occurred particularly in Poland (FTEs up 1,124) due to the inclusion of Dominet, and in Turkey (FTEs up 1,221), partly because of the inclusion of support departments.

Other operating and administrative expenses increased by EUR 45 million in the nine months ended September 30, 2007 compared with the first nine months of 2006 to EUR 352 million. This was mainly due to the rollout of the credit shop network in Germany and related marketing campaigns, the continued expansion of the Turkish branch network and the first time inclusion of Dominet in the consolidation scope.

Allocated expenses were stable at EUR 994 million both for the first nine months of 2007 and 2006. The overall rise in central expenses to support growth, e.g. at IT & Operations and Facilities & Purchasing, was offset by the transfer of Fortis Bank France to Merchant & Private Banking.

Retail Banking Asset Management

The following table sets forth selected income statement data for the Retail Banking Segment for the periods indicated:

	Nine Months Ended September 30,		
	2006	2006	Change
	(unaudited) (EUR million, except %)		
Income Statement			%
Net interest income	(9)		*%
Net commissions and fees	314	247	27%
Realized capital gains (losses) on investments	1		*%
Other (un)realized gains and losses	8	4	100%
Dividend and other investment income	7	2	*%
Other income	3	3	0%
Total income	324	256	27%
Change in impairments			*%
Net revenues	324	256	27%
Staff expenses	(128)	(106)	21%
Other operating and administrative expenses	(76)	(52)	46%
Allocated expenses[1]	(9)	(8)	13%
Total expenses	(213)	(166)	28%
Profit before income tax	111	90	23%
Income tax expenses	(28)	(27)	3%
Net profit for the period	83	63	32%
Net profit attributable to minority interests	3		*%
Net profit attributable to shareholders	80	63	27%

(1) The expenses from shared services are recorded in other banking and allocated to the banking segment.

Activity based presentation of Net interest income, Realized capital gains (losses) on investments and Other (un)realized gains and losses

	Nine Months Ended September 30,		
	2007	2006	Change
	(unaudited) (EUR million, except %)		
Net interest income on interest-margin products	(9)	0	*
Capital gains on investment porfolio	1	0	*
Treasury and financial markets	8	4	100%

Retail Banking Asset Management Key Performance Indicators

	Nine Months Ended September 30,		
	2007	2006	Change
	(unaudited)		
Cost/income ratio	65.8%	64.5%	
Operating leverage[1]	(2.6)%		
Number of FTE's	951	799(2)	19%
Funds under management (in EUR billion)	131	121(2)	8%

(1) Operating leverage is defined as the difference between the percentage growth in total income, prior to changes in provisions and in total expenses.

(2) Refers to year-end 2006.

Results for Retail Banking Asset Management consist of Fortis Investments' results. Fortis Investments is Fortis's asset management operator. It is a multi-centre, multi-product asset manager. Based in Europe, Fortis Investments has a global presence with sales offices and 21 key investment centres in Europe, the US and Asia. Activities range from institutional portfolio management to the development and management of mutual funds. The figures below are before ALM cost and corporate allocations.

Net profit attributable to shareholders of EUR 80 million for the first nine months of 2007 was 27% up on the same period in 2006.

Net commissions and fees increased by 27% to EUR 314 million for the first nine months of 2007 compared to EUR 247 million in the first nine months of 2006.

Total expenses of EUR 213 million for the first nine months of 2007 were 28% higher than in the comparable period in 2006, reflecting continued investments in line with Fortis Investments' growth plan for the next five years. Staff expenses rose to EUR 128 million in the first nine months of 2007, 21% higher than in the same period of 2006, due to the significantly increased headcount across all divisions and higher performance-related remuneration. Other expenses rose also, primarily due to IT-related investment.

Assets under management amounted to EUR 131 billion at September 30, 2007, 8% higher than at year-end 2006. This positive performance was due to strong sales results earlier in the year and Fortis Investments' highly diversified distribution platform and product solutions for its clients.

Fortis Investments reports a good performance in its CDO business as at September 30, 2007, with continued deal flow. All funds remained open and no tranches have been downgraded.

Merchant & Private Banking

The following table sets forth selected income statement data for the Merchant & Private Banking Segment for the periods indicated.

	Nine Months Ended September 30,		
	2007	**2006**	**Change**
	(unaudited) (EUR million, except %)		
Income Statement			
Net interest income	1,938	1,690	15%
Net commissions and fees	1,115	1,053	6%
Realized capital gains (losses) on investments	162	132	23%
Other (un)realized gains and losses	907	796	14%
Dividend and other investment income	125	105	19%
Other income	377	383	(2)%
Total revenue	4,624	4,159	11%
Change in impairments	(66)	46	*%
Net revenues	4,558	4,205	8%
Staff expenses	(986)	(819)	20%
Other operating and administrative expenses	(476)	(428)	11%
Allocated expenses	(1,073)	(839)	28%
Total expenses	(2,535)	(2,086)	22%
Profit before income tax	2,023	2,119	(4)%
Income tax expenses	(198)	(284)	(30)%
Net profit for the period	1,825	1,835	(1)%
Net profit attributable to minority interests	1	3	(67)%
Net profit attributable to shareholders	1,824	1,832	0%

Activity based presentation of Net interest income, Realized capital gains (losses) on investments and Other (un)realized gains and losses

	Nine Months Ended September 30, 2007	2006	Change
	(Unaudited) {(EUR million, except %)		
Net interest income on interest-margin products	1,917	1,523	26%
Capital gains on investment portfolio	92	88	5%
Treasury and financial markets	997	1,004	(1)%

Merchant & Private Banking Key Performance Indicators

	Nine Months Ended September 30, 2007	2006	Change
	(unaudited)		
Cost/income ratio	54.8%	50.2%	
Operating leverage(1)	(10.3)%		
Net profit per FTE (EUR)	111,165	132,198(2)	%
Number of FTEs	16,408	13,858(2)	%

(1) Operating leverage is defined as the difference between the percentage growth in total income, prior to changes in provisions and in total expenses.

(2) Refers to year-end 2006.

The decision to move the retail activities of Fortis Banque France into the Private Banking and Commercial Banking businesses led to a change in reporting as of the second quarter of 2007 without restating prior periods. In the first nine months of 2007, Fortis Bank France Retail Banking contributed EUR 53 million to net interest income, EUR 41 million to net commissions and fees and EUR 92 million to total expenses, EUR 30 million of which were staff expenses.

Net profit for the first nine months of 2007 was substantially stable at EUR 1,824 million, compared with the high level of net profit for the first nine months of 2006. This reflects the continued commercial drive at all activities and ability to withstand the difficult market conditions in the third quarter.

Total revenue increased by 11% to EUR 4,624 million in the nine months ended September 30, 2007 compared with the nine months ended September 30, 2006, driven mainly by a 26% rise in net interest income on interest margin products. Net interest income growth was mostly organic, supported by higher volumes as well as interest-related fees earned on corporate deals. Higher volumes more than compensated for the margin pressure felt mainly at Private Banking, Commercial Banking and Specialised Financial Services. Other drivers of the rise in total income were net commissions and fees, up 6%, and realized capital gains. Treasury and financial markets results remained stable year-on-year, as the positive performance of Private Equity and GSFG offset lower trading figures.

Net interest income on interest-margin products rose 26% to EUR 1,917 million in the nine months ended September 30, 2007 compared with the nine months ended September 30, 2006. Loans to customers, excluding securities financing and reverse repurchase agreements, increased by 24% over the first nine months of 2007 to EUR 147 billion, supported by continued commercial efforts. Corporate, Institutional & Public Banking recorded a 36% increase in net interest income, with strong volumes in a benign credit environment and some releases from interest reserves. Commercial Banking also increased its contribution by 14%, mainly due to positive results in the third quarter of 2007. Positive volume growth was generated across all countries, with the most mature markets (Benelux region and France) still affected by margin pressure. Net interest income at Energy, Commodities and Transportation was up 27%, mainly due to higher loan volumes. Clearing, Funds and Custody recorded a 25% increase in net interest income, benefiting from a rise in financing margins, combined with larger drawdown facilities and overdraft interest at Prime Fund Solutions.

Net commissions and fees recorded a 6% increase to EUR 1,115 million in the nine months ended September 30, 2007 compared with the nine months ended September 30, 2006. However, EUR 41 million came from the consolidation of Fortis Bank France for the first nine months of 2007, while net commissions and fees for the first nine months of 2006 should be adjusted for changes in accounting rules and some reclassifications. Taking the above factors into account, net commissions and fees increased by 10% , as a result of a good underlying performance across all activities. Clearing, Funds and Custody recorded a 16% increase in net commission and fees and Private Banking posted a 7% rise, all of which were supported by higher asset bases. Year-on-year comparisons for Global Markets; Corporate, Institutional & Public Banking and Energy, Commodities & Transportation were largely negatively impacted by the above technical effects.

Capital gains on investment portfolio amounted to EUR 92 million in the first nine months of 2007, up EUR 4 million on the same period in 2006. The gains were mainly realised by exits from the private equity portfolio and the sale of a property asset.

Treasury and financial markets results in the first nine months of 2007 were in line with the results achieved in the first nine months of 2006 (2007: EUR 997 million; 2006: EUR 1,004 million). Treasury and financial markets activities have consistently generated positive results in challenging market conditions, mainly due to their diversified nature.

Non-trading revenues (mainly Private Equity, Global Securities & Financing Group and Credit Hedging) increased significantly in the first nine months of 2007, due to the good performance of Private Equity.

- Private Equity (reported under Investment Banking) benefited from revaluations of funds of funds combined with exits, which generated EUR 226 million in revenues, up 37%
- Global Securities & Financing Group (GSFG) contributed EUR 299 million, up slightly on the same period last year. Three quarters of these revenues were realised in the second quarter.
- The Credit Portfolio Management unit, which manages the credit risk of Merchant & Private Banking, recorded a total negative revaluation of EUR 14 million for the first nine months of 2007. The widening of the credit spread in the third quarter led to a positive revaluation of EUR 23 million, which partly reversed the EUR 37 million negative revaluation in the first half of 2007.

Trading revenues (adjusted for grossing up) amounted to EUR 552 million in the first nine months of 2007, down 21% compared to the same period in 2006. This decline was mainly attributable to the global capital markets turmoil and subsequent liquidity crisis. The Forex and Rates Group continued to perform well, supported by market volatility and despite the higher cost of funding in money markets. The Capital and Markets Group was negatively affected by the adverse market conditions, which led to negative revaluations in the structured credit business. The Global Equity Group continued to capitalize on volatile markets, although activity slowed and equity markets declined in the third quarter, resulting in a negative grossing up of results. Overall, trading results of EUR 552 million for the first nine months of 2007 are above the EUR 500 million that is considered the cycle-neutral annual floor for this activity. The positive Global Markets' trading results should also be considered in light of an average daily VaR (Value at Risk) that remained at a moderate EUR 31 million in the third quarter, compared with EUR 32.5 million in the first half.

The **credit risk environment** remained positive in the first nine months of 2007, although the EUR 66 million charge for the change in impairments compares unfavourably with the EUR 46 million released in the first nine months of 2006.

Total expenses increased by 22% to EUR 2,535 million in the nine months ended September 30, 2007 compared to the nine months ended September 30, 2006. Staff expenses increased by 20%. The increase in staff expenses was due to new hiring (mainly at growth engines and outside the Benelux region), higher bonuses and some wage drift. Other operating and administrative expenses increased by 11% year-on-year, due to investment in growth in the US, Asia and the UK.

The effective tax rate at Merchant & Private Banking remained low at 10% in the first nine months of 2007. Structured deals at Investment Banking were the main reason for the 3% effective tax rate's decline in the nine months ended September 30, 2007 compared to the nine months ended September 30, 2006.

Other Banking & Eliminations

	Nine Months Ended September 30, 2007	2006	Change
	(unaudited) (EUR million, except %)		
Income Statement			
Net interest income	41	217	(81)%
Net commissions and fees	(13)	(2)	*%
Realized capital gains (losses) on investments	497	264	88%
Other (un)realized gains and losses	237	227	4%
Dividend and other investment income	69	107	(36)%
Other income	(633)	(672)	6%
Total revenues	198	141	33%
Change in impairments	(10)	3	*%
Net revenues	188	144	31%
Staff expenses	(980)	(930)	5%
Other operating rand administrative expenses	(1,295)	(1,100)	18%
Allocated expenses	2,077	1,840	13%
Total expenses	(199)	(190)	5%
Profit before income tax	(11)	(46)	(76)%
Income tax expenses	(22)	(1)	*%
Net profit for the period	(33)	(47)	30%
Net profit attributable to minority interests	7	6	17%
Net profit attributable to shareholders	(40)	(53)	(25)%

Activity based presentation of Net interest income, Realized capital gains (losses) on investments and Other (un)realized gains and losses

	Nine Months Ended September 30, 2007	2006	Change
	(unaudited) (EUR million, except %)		
Net interest income on interest-margin products	43	294	(85)%
Capital gains on investment portfolio	497	263	89%
Treasury and financial markets	235	154	53%

As of 2007, Other Banking includes all Shared Services activities and the corporate functions of Banking, Asset & Liability Management ("ALM") within Belgium, The Netherlands, Luxembourg, Turkey and Poland, and Fortis Hypotheek Bank. The activities of other legal entities previously reported under Other Banking are now shown as direct costs of the business, and the 2006 figures are restated accordingly. As of 2007, the results for Belgolaise are consolidated using the equity method under Other Banking, whereas previously they were fully accounted for.

Income and expenses related to ALM and Shared Services are allocated to the Banking business lines (which explains why "other income" is negative and "allocated expenses" is positive).

Net interest income on interest margin products in the first nine months of 2007 was 85% lower than in the same period in 2006. This can be explained by several factors. Firstly, rising global interest rates combined with a yield curve that remained flattish depressed net interest income. Secondly, higher interest rates brought down prepayment penalties received on the mortgage portfolio by EUR 54 million. In addition, net interest income was adversely impacted by a EUR 38 million one-off correction in the second quarter of 2007 at Fortis Hypotheek Bank and by higher costs of funding. Finally, a major factor explaining more than half of the decrease concerns the allocation of interest income between Other Banking and the businesses. The businesses receive interest income from ALM on the target capital employed. This allocation is based on the level of risk-weighted commitments and the transfer price used. Strong risk-weighted commitments growth in the past few quarters in combination with a higher transfer price resulted in a substantial re-allocation of interest income from Other Banking to the business lines.

Capital gains on the investment portfolio increased to EUR 497 million in the first nine months of 2007, an increase of 89% compared with the same period in 2006. This rise can be explained by the sale of a number of non-strategic equity holdings (including Banco Comercial Português and Kasbank) in the run-up to the financing of the ABN AMRO acquisition.

Treasury and financial markets income in the first nine months of 2007 was EUR 235 million, rising 53% compared with the same period in 2006. Higher results from open derivative positions and prepayment fees on long-term deposits were mainly responsible for this increase.

Staff expenses (excluding eliminations) in the first nine months of 2007 decreased to EUR 641 million, down 5% on the same period in 2006. This decline was caused by the capitalisation of key information technology projects in accordance with IAS 38 rules, the exclusion of Belgolaise, and scope and accounting changes, partly offsetting one-off pension releases in The Netherlands in 2006.

Other operating and administrative expenses (excluding eliminations) in the first nine months of 2007 advanced to EUR 1,116 million, up 8% on the same period in 2006. More then half of this growth was seen at Information Services & Technology (IST), reflecting Fortis's continued investment in the infrastructure of its key banking systems (known as CityPlan). Some of these projects are mandatory, e.g. SEPA, Basel II and MiFID. One-fourth of the increase stemmed from investments in relocation plans in Belgium and The Netherlands (removal costs and building renovations). The remainder came from recruitment and training expenses, as Fortis continues to invest in preparing staff for the challenges ahead.

Important productivity gains were made at the key processing units of the Operations department, i.e. Accounts, Payments, Securities Handling and Industrialised Credits. Volumes here climbed 10% while direct costs came down 3%, thanks to investments in IT systems.

Net profit during the first nine months 2007 at Other Banking was negatively impacted by a one-off tax charge in the third quarter of 2007.

Insurance

	Nine Months Ended September 30, 2007	2006	Change
	(unaudited) (EUR million, except %)		
Income statement			
Life			
Gross earned premiums	7,478	5,864	28%
Investment contracts without DPF	2,441	1,994	22%
Gross inflow(1)	9,919	7,858	26%
Gross earned premiums Non-Life	3,997	3,685	8%
Operating costs	(1,038)	(974)	7%
Technical result			
Life	434	467	(7)%
Non-Life	264	481	(45)%
Allocated capital gains	160	132	21%
Operating margin(2)	858	1,080	(21)%
Life	584	591	(1)%
Non-Life	274	489	(44)%
Non-allocated other income and charges	379	272	39%
Profit before taxation	1,237	1,352	(9)%
Income tax expenses	(184)	(281)	(35)%
Net gain (loss) on discontinued operations	56	46	22
Net profit attributable to minority interests	51	30	70%
Net profit attributable to shareholders	1,058	1,087	(3)%
Life	799	679	18%
Non-Life	259	408	(37)%

(1) Under IFRS certain insurance products are treated as investment contracts (non-participating investment contracts) and premiums received are treated as policyholder deposits and not reported in the income statement. Gross inflow is, therefore, a better indication of the total business written by the insurance business during the applicable periods.

(2) Operating margin consists of the technical result plus the capital gains that are shared with the policyholders.

Insurance Key Performance Indicators

	Nine Months Ended September 30, 2007	2006	Change
	(unaudited)		
# of FTEs	14,669	13,106(1)	12%
Operating leverage(2)	(8.7)%		
Life:			
New business life — APE (in EUR million)(3)	1,026	779	32%
Non-Life total:			
Claims ratio	67.0	59.7%	
Expense ratio	32.7	34.5%	
Combined ratio	99.7	94.2%	
Non-Life Property & Casualty:			
Claims ratio	67.6%	58.1%	
Expense ratio	37.2%	39.5%	
Combined ratio	104.8%	97.6%	
Non-Life Accident & Health:			
Claims ratio	65.8	63.4%	
Expense ratio	22.8	23.3%	
Combined ratio	88.6	86.6%	

(1) Refers to year-end 2006.

(2) Operating leverage is defined as the difference between the percentage growth in total income and costs.

(3) Excluding CaiFor. CaiFor has been reclassified in Discontinued operations.

Nine Months Ended September 30, 2007 Compared with Nine Months Ended September 30, 2006

Fortis Insurance continued its positive operating performance with net profit of EUR 1,058 million for the nine months ended September 30, 2007 although down slightly from the EUR 1,087 million in the same period of 2006. Net profit at Life improved significantly, increasing by 18% to EUR 799 million. This increase was offset by a decrease in the Non-Life result, which was EUR 259 million, negatively affected by the combined impact of Windstorm Kyrill in the first quarter and floods in the UK in June and July. Excluding these exceptional factors, Fortis Insurance posted solid and sustainable results founded on profitable volume growth.

Fortis Insurance's total gross inflow in Life together with gross earned premiums Non-life was EUR 13.9 billion in the first nine months of 2007, up 21% on the same period in 2006. Life grew significantly — by 26% to EUR 9.9 billion in the first nine months of 2007 compared with the same period in 2006 — due to considerable sales efforts in all countries, including EUR 118 million gross inflow from Fortis's newly acquired Hong Kong Life insurance business, which has been consolidated since May 2007. Annual premium equivalent (APE) increased 32% to EUR 1,026 million in the first nine months of 2007 (2006: EUR 779 million). Non-Life gross earned premiums, with the focus on profitable growth, increased by 8% to EUR 4.0 billion in the first nine months of 2007 compared with the same period in 2006, across all countries.

At Life, the operating margin for the first nine months of 2007 was EUR 584 million, slightly lower (-1%) than for the same period in 2006. Higher volumes and investment results were more than offset by the impact of the global capital markets turmoil. Net profit increased by 18% to EUR 799 million, driven by an improved underlying performance, supported by higher capital gains and a lower effective tax rate. The capital gains were triggered by portfolio protection techniques (CPPI) as well as market opportunities.

At Non-Life, the impact of Windstorm Kyrill and floods in the UK (totalling EUR 214 million pre-tax) almost halved the technical result to EUR 264 million in the first nine months of 2007 compared with the same period in 2006. These events also trimmed Non-Life net profit by 37% to EUR 259 million.

The operating costs of Fortis Insurance increased by 7% in the first nine months of 2007 compared with the first nine months of 2006, while total gross inflow was up by 21%. The rise in operating costs was because of overall business growth as well as the inclusion of the newly acquired Hong Kong business and various growth initiatives, such as the start-up costs of new product-market combinations in Europe.

Life

Gross inflow increased by 26% to EUR 9,919 million in the first nine months of 2007 compared with the same period in 2006, driven by growth initiatives in all countries. In Belgium, strong sales campaigns promoting individual life products continued to boost new business in the banking and broker channels, resulting in 31% growth compared with the first nine months of 2006. The Netherlands achieved excellent 21% growth for both individual and group life products, based on sound margins in a challenging market. All countries at Insurance International contributed to the increase (+24%), which was driven by various growth initiatives, underpinned by product innovation in Portugal and the inclusion of the recently acquired Fortis Insurance Company Asia ("**FICA**") in Hong Kong (EUR 118 million in gross inflow).

Life technical result decreased by 7% to EUR 434 million in the nine months ended September 30, 2007 compared with the same period in 2006. Higher volumes and better investment income were offset by the impact of the turmoil in the global capital markets, which affected results in both Belgium and The Netherlands. At International, the technical result almost doubled, due to volume growth and the continued focus on profitability particularly in Portugal and Luxembourg.

Net profit increased to EUR 799 million in the first nine months of 2007, up 18% on the same period in 2006, driven by higher volumes, an improved investment result (including capital gains triggered by protection techniques and market opportunities) and a lower effective tax rate.

In July 2007, Fortis announced that Fortis and "la Caixa" had mutually decided to end their CaiFor joint venture after 15 fruitful years. Consequently, under IFRS the figures for CaiFor must now be reported in the P&L under results of discontinued operations. The transaction closed on November 13, 2007.

Non-Life

Gross earned premiums advanced 8% to EUR 3,997 million in the first nine months of 2007 compared with the same period in 2006. All businesses contributed to this growth, which was supported by all product segments and based on a strategy of focusing on customer needs without compromising underwriting policies. Belgium posted a 7% increase, driven by continuous product innovation. In The Netherlands, 7% growth was achieved mainly due to the positive performance of Accident & Health, which further strengthened its market position by entering the newly privatised long-term disability market. International delivered 13% growth, driven by the UK, which benefited especially in the Motor market from its outstanding cost advantages, and by FCI, which managed to achieve a 12% growth based on sound margins in a competitive market.

The effect of Windstorm Kyrill and the floods in the UK almost halved the technical result to EUR 264 million in the first nine months of 2007 compared with the same period in 2006, with the combined ratio amounting to 99.7%. Excluding the natural disasters, the combined ratio remained at 93.8%, due to the continued focus on profitable growth and to efficient operations, as demonstrated by the improved expense ratio for the first nine months of 2007.

Insurance Belgium

	Nine Months Ended September 30, 2007	2006	Change
		(unaudited) (EUR million, except employees and %)	
Net profit			
Life	340	332	2%
Non-Life	63	88	(28)%
Net profit	403	420	(4)%
Operating leverage	(11.5)%	(4.4)%	
FTEs	5,176	5,182[(1)]	0%
Life			
Gross earned premiums	3,854	2,879	34%
Investment contracts without DPF	924	782	18%
Gross inflow	4,778	3,661	31%
Technical result	224	254	(27)%
Operating margin	275	337	(18)%
Non-Life			
Gross earned premiums	1,004	929	8%
Technical result	79	95	(17)%
Operating margin	88	108	(19)%
Combined ratio	101.3	99.4%	

(1) Refers to year end 2006.

Net profit of Fortis Insurance Belgium reached EUR 403 million in the first nine months of 2007 compared to EUR 420 million in the same period in 2006, impacted by Windstorm Kyrill and the global capital markets turmoil, and partly offset by capital gains and a lower effective tax rate resulting from the capital gains mix. Excluding both elements, the operating performance improved, driven by profitable volume growth at both Life and Non-Life.

Total gross inflow Life together with gross earned premiums Non-life was EUR 5,782 million in the first nine months of 2007, a 26% increase compared with results for the same period in 2006. Gross inflow at Life increased by 31% compared to 2006, strongly driven by the successful campaigns early in the year. Gross earned premiums at Non-Life climbed 8% to EUR 1,004 million.

Operating costs remained subject to tight control policies in the first nine months of 2007, rising only 2% compared with the same period in 2006. Staff expenses increased by 3% on new FTE hiring to support the business's growth plans. Profitable volume growth further decreased the cost ratio at Life (operating costs as a percentage of technical reserves; down from 0.44% to 0.42% year-on-year) and the expense ratio at Non-Life (down from 38.2% to 37.0% year-on-year), underlining Fortis's commitment to continuously improve its operational performance.

Life

Total **Life gross inflow** during the first nine months of 2007 reached EUR 4,778 million, up 31% on the same period in 2006. Annual premium equivalent (APE) also advanced 31% to EUR 438 million in the first nine months of 2007. This result was mainly due to successful commercial campaigns at the bank and broker channels in early 2007 and by the Summer Heat savings campaign. The 2007 campaigns were launched mainly early in the year, supporting first- and second-quarter inflow. Campaigns in 2006 were mounted largely at the end of the year, boosting fourth-quarter inflow.

Funds under management at Life went up by 8%, compared with the start of 2007, to EUR 41.4 billion, mainly due to a boost from savings-related new-generation products.

Inflow through the **bank channel** came to EUR 2,913 million in the first nine months of 2007, 47% higher than in the same period in 2006, driven by a record inflow in the first half and the Summer Heat campaign. Year-on-year inflow in savings advanced 58%. Despite the volatile financial markets, unit-linked inflow in the first nine months of 2007 increased by 35%.

Inflow through the **broker channel** went up 12% to EUR 1,154 million in the first nine months of 2007 compared to the same period in 2006. Savings products — in particular Top Rendement Invest, a principal-protected product — were mainly responsible for such positive results, with year-on-year growth of 24%.

Group Life inflow rose by 10% to EUR 711 million during the first nine months of 2007 compared to the same period in 2006. Single premiums increased by 24% while regular premiums grew by 4%. Fortis Ascento, the unique service offering aimed at retiring members of group life contracts, was expanded with Ascento Deposit, a new capitalisation product.

Despite higher volumes, the nine-month technical result at Life was 12% lower than in 2006, when a large real estate development project lifted the result, and due to the global capital markets turmoil.

Nine-month net profit at Life was up 2% compared to 2006, as the lower technical result, caused by incidental factors, was more than offset by market opportunity-driven capital gains, equity sales triggered by the protection techniques (CPPI model), and the positive tax effect ensuing from the capital gains mix.

Non-Life

Gross earned premiums at Non-Life were EUR 1,004 million in the first nine months of 2007, up 8% on the same period in 2006, supported by ongoing product innovation efforts. All major lines contributed to this increase.

Non-Life inflow through the **bank channel** reached EUR 150 million in the first nine months of 2007, 7% higher than in 2006. Non-Life products sold through the broker channel amounted to EUR 664 million, up 8% on the same period in 2006. In September 2007, the existing pack offer for the business market was expanded with the Bakery Pack, a package of products which, for a small additional premium, covers the risks specific to the bakery industry.

The broker channel launched a special broker incentive over the summer to celebrate the fifth anniversary of Familis, a retail concept launched in 2002 which combines different contracts and allows flexible premium payments. Today, there are more than 370,000 Familis policies in existence, with an average of 2.3 insurance covers per policy. Familis was recently awarded the Decavi industry award for the best concept in the retail market.

The technical result at Non-Life for the nine months ended September 30, 2007 amounted to EUR 79, down 17% compared with the same period in 2006, due to Windstorm Kyrill. Excluding Kyrill, the technical result significantly improved compared to 2006.

The combined ratio at Non-Life, including Workmen's Compensation, was 101.3% for the nine months ended September 30, 2007, compared with 99.4% in 2006, and was strongly impacted by Kyrill. Disregarding Kyrill, the combined ratio stood at 96.5%. Excluding the long-term Workmen's Compensation business, the combined ratio would be 93.6%.

Net profit at Non-Life was EUR 63 million in the first nine months, compared to 89 EUR million in 2006, due to Kyrill.

Insurance Netherlands

	Nine Months Ended September 30, 2007	2006	Change
	(unaudited) (EUR million, except employees and %)		
Net profit			
Life	355	284	25%
Non-Life	170	190	(11)%
Net profit	525	474	(11)%
Operating leverage	2.1%	4.7%(1)	
FTEs	4,515	4,210(1)	7%
Life			
Gross earned premiums	2,482	2,057	21%
Investment contracts without DPF			
Gross inflow	2,482	2,057	21%
Technical result	151	178	(15)%
Operating margin	232	218	6%
Non-Life			
Gross earned premiums	1,546	1,472	5%
Technical result	188	244	(23)%
Operating margin	184	241	25%
Combined ratio	90.5%	86.8%	

(1) Refers to year end 2006.

Net profit of Fortis Insurance Netherlands increased by 11% to EUR 525 million during the first nine months of 2007 compared with the first nine months of 2006. The 2007 nine-month operating margin was EUR 416 million, compared with EUR 459 million in the same period of 2006. This figure was negatively affected by the global capital markets turmoil and Windstorm Kyrill, but positively affected by higher volumes and an improved investment result (including higher capital gains triggered by portfolio protection techniques (CPPI) and market opportunities).

Total gross inflow Life together with gross earned premiums Non-life for the nine months ended September 30, 2007 rose 15% to EUR 4,028 million, fuelled by pensions at Life (up 21%) and by Accident & Health at Non-Life (up 7%).

Operating costs were EUR 417 million for the nine months ended September 30, 2007. Investments in growth initiatives, such as the launch of a direct channel, and wage drift were partly offset by an ongoing focus on tight cost control as part of Fortis Insurance Netherlands' growth strategy.

Life

Gross inflow at Life rose by 21%, from 2,057 million to EUR 2,482 million, in the first nine months of 2007 compared with the same period in 2006. Growth was mainly due to Group Life, which benefited from focusing on pension activities, a strategy which more than doubled gross inflow to EUR 672 million. Individual life premium products grew by 3%, driven by both regular and single premiums.

Annual premium equivalent (APE) increased 33% to EUR 265 million in the first nine months of 2007 (2006: EUR 200 million). New business premiums of pension-related sales went up, benefiting from the new pension organisation and efforts to strengthen the relationship with the top 100 intermediaries.

The number of new mortgages in the Dutch mortgage market fell by more than 10% compared with the first nine months of 2006, due to fewer refinancings as a result of rising interest rates. Furthermore, price competition increased. Fortis Insurance Netherlands decided to focus on profitable growth, as a result of which new mortgage production was substantially lower than the 2006 level.

The 2007 nine-month technical result decreased by 15% compared with the same period in 2006 due to the global capital markets turmoil. This decline was partly offset by the ongoing focus on profitable underlying business combined with higher volumes.

Net profit at Life increased 25% to EUR 355 million in the first nine months of 2007, driven by higher volumes, an improved investment result (including capital gains triggered by protection techniques and market opportunities) and a lower effective tax rate.

Non-Life

Non-Life gross earned premiums increased by 5% to EUR 1,546 million for the first nine months of 2007 compared with the same period in 2006. All major business lines contributed, with gross earned premium advancing most strongly at Accident & Health (+10%). The strategy of focusing on the disability market continued to prove successful, with sales up and lapses down.

The Non-Life technical result was EUR 187 million for the nine months ended September 30, 2007, down 23% from EUR 244 million in the corresponding period in 2006. This performance was negatively affected by Windstorm Kyrill in the first quarter and the global capital markets turmoil in the third quarter of 2007, combined with some positive one-off items in 2006.

Non-Life net profit fell to EUR 170 million for the nine months ended September 30, 2007, down 11% on the first nine months of 2006. The decline in the technical result was offset by higher non-allocated results (capital gains) and a lower average tax rate.

Insurance International

	Nine Months Ended September 30, 2007	Nine Months Ended September 30, 2006	Change
	(unaudited) (EUR million, except employees and %)		
Net profit			
Life	104	63	65%
Non-Life	26	130	(80)%
Net profit	130	193	(33)%
Operating leverage	(22.8)%	12.3%	
FTEs	4,978	3,714(1)	34%
Life			
Gross earned premiums	1,142	928	23%
Investment contracts without DPF	1,517	1,212	25%
Gross inflow	2,659	2,140	24%
Technical result	59	35	69%
Operating margin	78	36	*
Non-Life			
Gross earned premiums	1,447	1,284	13%
Technical result	(2)	142	*
Operating margin	1	142	*
Combined ratio	108.9%	99.1%	

(1) Refers to year-end 2006.

Net profit for the nine months ended September 30, 2007 at Life increased by 65% to EUR 104 million compared with the same period in 2006, due to overall growth in funds under management to EUR 19.5 billion, higher profit contributions from Asian joint ventures and the consolidation of the newly acquired FICA. This increase, however, was offset by the combined impact of Windstorm Kyrill and floods in the UK. These events severely depressed Non-Life's healthy underlying net profit, which fell to EUR 26 million from EUR 130 million in the first nine months of 2006. Total net profit for the first nine months of 2007 was EUR 130 million.

Nine-month gross inflow Life together with gross earned premiums Non-life at consolidated companies increased 20%, from EUR 3,424 million in the first nine months of 2006 to EUR 4,106 million in the first nine months of 2007. This increase was fuelled by various growth initiatives such as continued successful product development under freedom of services in Luxembourg, a further rise in market share in the UK and the acquisition of FICA in Hong Kong, which has been consolidated into Fortis's accounts since May 2007.

Operating costs were EUR 329 million for the first nine months of 2007, up 10% compared with the same period in 2006. Half of this increase can be attributed to the inclusion of FICA's operating costs. The remainder can be attributed to strong growth, investments in business development and start-up costs in new markets.

Life

Gross inflow at fully consolidated Life companies increased by 24%, from EUR 2,140 million in the first nine months of 2006 to EUR 2,659 million in the first nine months of 2007, and involved all countries. In Luxembourg unit-linked products sold under the freedom of services act contributed to growth of 11%. In Portugal the strategy of developing innovative products proved successful, raising penetration rates among clients of Fortis's partner bank and enhancing inflow (up 20%). The bancassurance distribution agreement in France increased by 21%. FICA's performance added EUR 118 million to this growth, while other new markets contributed EUR 50 million.

A continued focus on profitability during the nine months ended September 30, 2007 improved the operating margin, further supported by realised capital gains, which benefited from favourable market conditions early in 2007. The operating margin increased to EUR 78 million during the first nine months of 2007, compared to EUR 36 million in the same period in 2006.

Net profit at Life companies increased by 65%, from EUR 63 million in the first nine months of 2006 to EUR 104 million in the first nine months of 2007, due to overall higher funds under management in both the European and Asian operations and the contribution of FICA in Hong Kong.

Non-Life

Gross earned premiums at fully consolidated Non-Life companies rose 13% in the first three quarters of 2007, from EUR 1,284 million in the first nine months of 2006 to EUR 1,447 million. Growth was primarily due to the improved sales performance in the UK, where higher average premiums and a larger number of insured cars further strengthened the market position.

Windstorm Kyrill and the impact of floods in the UK in June and July 2007 negatively affected the technical result in Fire and Motor to a loss of EUR 2 million in the first nine months of 2007 from a profit of EUR 142 million in the first nine months of 2006. The reported combined ratio increased from 99.1% to 108.9% due to these events. Excluding this, the combined ratio would have improved to 96.9%.

The weather-related events brought down 2007 nine-month net profit by EUR 104 million after tax, to EUR 26 million.

SELECTED STATISTICAL INFORMATION

The tables below set forth historical selected statistical information regarding Fortis's banking operations, which was derived from the audited Consolidated Financial Statements prepared in accordance with IFRS (unless otherwise indicated). Unless otherwise indicated, average balances, when used, are calculated from quarterly data, and geographic data are based on the domicile of the customer. See "*Operating and Financial Review and Prospects — Banking — Net Interest Income*" for analysis of fluctuations between periods.

The tables below do not include interest related to non-accrual loans, the portion of interest that is not recognized on partially non-accruing loans or lending commission income. Net interest income is not calculated on a tax-equivalent basis.

Average Balance Sheets and Interest Rates

The following tables show Fortis's average balances and interest rates for each of the years set forth below.

	2006			2005			2004		
	Average Balance*	Interest	Average Rate(%)	Average Balance*	Interest	Average Rate(%)	Average Balance*	Interest	Average Rate(%)
	(EUR million, except %)								
Interest on balance:									
Retail banking	1,267	66	5.2%	993	23	2.3%	1,119	108	9.6%
Merchant banking	103,236	5,354	5.2%	112,835	3,765	3.3%	93,517	3,218	3.4%
Commercial & Private banking	2,900	58	2.0%	1,639	16	1.0%	896	81	9.0%
Other banking	1,616	146	9.0%	2,172	54	2.5%	4,707	168	3.6%
Total Due from banks and Cash and cash equivalents	109,019	5,624	5.2%	117,639	3,858	3.3%	100,239	3,575	3.6%
Retail banking	73,548	3,961	5.4%	63,191	3,366	5.3%	56,885	2,992	5.3%
Merchant banking	127,346	7,303	5.7%	98,920	4,554	4.6%	81,917	2,779	3.4%
Commercial & Private banking	56,461	2,740	4.9%	50,172	2,161	4.3%	43,557	1,814	4.2%
Other banking	30,723	1,575	5.1%	29,995	1,647	5.5%	27,982	1,749	6.2%
Total Loans to customers	288,078	15,578	5.4%	242,278	11,728	4.8%	210,341	9,334	4.4%
Retail banking	185	10	5.5%	19	3	15.6%	18	3	14.6%
Merchant banking	76,711	3,203	4.2%	68,399	2,294	3.4%	60,234	1,734	2.9%
Commercial & Private banking	61	2	3.7%	76	3	3.4%	104	8	7.9%
Other banking	56,272	2,321	4.1%	56,107	2,321	4.1%	51,714	2,166	4.2%
Total Investments	133,229	5,536	4.2%	124,600	4,620	3.7%	112,070	3,911	3.5%
Total Interest-earning assets	530,326	26,738	5.0%	484,517	20,206	4.2%	422,649	16,819	4.0%
Interest-earning assets									
Retail banking	75,000	4,036	5.4%	64,204	3,391	5.3%	58,021	3,103	5.3%
Merchant banking	307,293	15,860	5.2%	280,153	10,614	3.8%	235,668	7,731	3.3%
Commercial & Private banking	59,421	2,800	4.7%	51,886	2,179	4.2%	44,556	1,903	4.3%
Other banking	88,611	4,042	4.6%	88,274	4,022	4.6%	84,403	4,083	4.8%
Total Interest-earning assets	530,326	26,738	5.0%	484,517	20,206	4.2%	422,649	16,819	4.0%
Trading assets	68,736			64,456			56,146		
Other assets	74,240			63,236			56,095		
Total average assets	673,302			612,209			534,890		
Liabilities									
Retail banking	282	(37)	13.1%	333	(80)	23.9%	426	(151)	35.4%
Merchant banking	180,760	(7,757)	4.3%	169,989	(4,587)	2.7%	131,895	(3,905)	3.0%
Commercial & Private banking	1,019	(52)	5.1%	768	(57)	7.5%	2,052	(130)	6.4%
Other banking	549	(114)	20.7%	779	(84)	10.8%	5,704	(190)	3.3%
Total Due to banks	182,610	(7,960)	4.4%	171,870	(4,808)	2.8%	140,077	(4,376)	3.1%

	2006			2005			2004		
	Average Balance*	Interest	Average Rate(%)	Average Balance*	Interest	Average Rate(%)	Average Balance*	Interest	Average Rate(%)
	(EUR million, except %)								
Retail banking	89,868	(1,884)	2.1%	82,872	(1,459)	1.8%	78,905	(1,420)	1.8%
Merchant banking	121,641	(5,577)	4.6%	100,089	(4,099)	4.1%	92,687	(2,122)	2.3%
Commercial & Private banking	43,097	(1,107)	2.6%	38,225	(710)	1.9%	31,312	(458)	1.5%
Other banking	13,668	(500)	3.7%	15,034	(610)	4.1%	15,117	(601)	4.0%
Total Due to customers	268,274	(9,067)	3.4%	236,221	(6,878)	2.9%	218,020	(4,601)	2.1%
Retail banking	561	(12)	2.1%	698	(14)	2.0%	1,040	(20)	1.9%
Merchant banking	52,736	(2,386)	4.5%	40,578	(1,406)	3.5%	36,911	(732)	2.0%
Commercial & Private banking	221	(2)	0.9%	329	(2)	0.6%	824	(31)	3.8%
Other banking	28,862	(956)	3.3%	30,917	(1,046)	3.4%	30,537	(1,092)	3.6%
Total Debt certificates	82,379	(3,356)	4.1%	72,522	(2,468)	3.4%	69,312	(1,876)	2.7%
Retail banking	63	(2)	3.7%	39	0	0.5%	32	0	0.6%
Merchant banking	1,341	(75)	5.6%	1,316	(59)	4.5%	1,576	(79)	5.0%
Commercial & Private banking	233	(15)	6.3%	63	(5)	7.3%	149	(1)	0.9%
Other banking	11,934	(583)	4.9%	10,212	(545)	5.3%	8,227	(499)	6.1%
Total Subordinated liabilities	13,571	(676)	5.0%	11,630	(609)	5.2%	9,983	(579)	5.8%
Total Interest bearing liabilities	546,835	(21,059)	3.9%	492,244	(14,762)	3.0%	437,392	(11,432)	2.6%
Interest-bearing liabilities:									
Retail banking	90,774	(1,935)	2.1%	83,942	(1,553)	1.8%	80,402	(1,591)	2.0%
Merchant banking	356,478	(15,796)	4.4%	311,972	(10,151)	3.3%	263,069	(6,838)	2.6%
Commercial & Private banking	44,570	(1,175)	2.6%	39,386	(774)	2.0%	34,338	(621)	1.8%
Other banking	55,013	(2,153)	3.9%	56,944	(2,285)	4.0%	59,584	(2,382)	4.0%
Total interest-bearing liabilities	546,835	(21,059)	3.9%	492,244	(14,762)	3.0%	437,392	(11,432)	2.6%
Other interest on balance trading liabilities:	61,123	(41,337)		54,573	(43,282)		47,501	(35,117)	
Other liabilities (interest-bearing)	24,178	(2,716)		27,312	(1,999)		23,614	(1,278)	
Other liabilities (non-interest bearing)	25,349	0		25,608	0		15,579	0	
Shareholders' equity	15,818	0		12,471			10,803		
Total average liabilities and shareholders' equity	673,302			612,209			534,890		
Trading assets	68,736	41,405		64,456	43,253		56,146	34,606	
Trading liabilities	61,123	(41,337)		54,573	(43,282)		47,501	(35,117)	
Other assets	74,240	2,052		63,236	1,236		56,095	929	
Other liabilities (interest-bearing)	24,178	(2,714)		27,312	(1,999)		23,614	(1,278)	
Other liabilities (non-interest bearing)	25,349			25,608			15,579		
Total average other interest on balance		(593)			(792)			(861)	
Net interest income		5,086			4,653			4,526	

* The average balances are calculated from quarterly data

Selected Ratios — Banking Operations Only

Set forth below are selected ratios relating to Fortis's banking operations for the years indicated.

	Year Ended December 31,		
	2006	2005	2004
Return on banking assets	0.5%	0.4%	0.2%
Return on banking equity	20.0%	19.6%	9.2%
Banking equity to banking assets	2.4%	2.0%	2.0%

Yields, Spread and Margins

The table below shows selected yield, spread and margin information applicable to Fortis for the years indicated. These amounts are derived from the table of average balances and interest rates above.

	Year Ended December 31,		
	2006	2005	2004
Gross Yield(1):			
Retail banking	5.4%	5.3%	5.3%
Merchant banking	5.2%	3.8%	3.3%
Commercial & Private banking	4.7%	4.2%	4.3%
Other banking	4.6%	4.7%	4.9%
Interest Spread(2):			
Retail banking	3.3%	3.4%	3.4%
Merchant banking	0.7%	0.5%	0.7%
Commercial & Private banking	2.1%	2.2%	2.5%
Other banking	0.7%	0.6%	0.9%
Interest Margin(3):			
Total Banking	1.1%	1.1%	1.3%

(1) "Gross Yield" is the average interest rate earned on average interest-earning assets.

(2) "Interest Spread" is the difference between the average interest rate earned on average interest-earning assets and the average interest rate paid on average interest-bearing liabilities.

(3) "Interest Margin" is "net interest income", excluding other interest on balance, as a percentage of average interest-earning assets.

Interest margin is presented for the bank as a whole due to certain intra-bank loans being funded by Merchant Banking with funds borrowed from external sources whereby the liabilities for Merchant Banking are not offset by interest income which is eliminated on such intra-company loans.

Changes in Net Interest Revenue — Volume and Rate Analysis

The table below allocates, by categories of interest-earning assets and interest-bearing liabilities, changes in net interest revenue and expense of Fortis due to changes in average volume and changes in average rate for the year ended December 31, 2006 compared to the year ended December 31, 2005 and for the year ended December 31, 2005 compared to the year ended December 31, 2004. Volume and rate variances have been calculated based on movements in average balances over the period and changes in interest rates on average interest-earning assets and average interest-bearing liabilities. See "— *Average Balance Sheets and Interest Rates*". Changes that are attributable in part to volume and in part to rate are allocated in proportion to their relationship to the amounts of change attributed directly to volume and rate.

	2006 over 2005			2005 over 2004		
		Change due to Increase (Decrease) in			Change due to Increase (Decrease) in	
	Total Change in Interest	Volume	Rate	Total Change in Interest	Volume	Rate
	(EUR million)					
Interest Income:						
Retail banking	43	10	33	(85)	(7)	(78)
Merchant banking	1,589	(409)	1,998	547	655	(107)
Commercial & Private banking	42	19	24	(65)	37	(102)
Other banking	91	(32)	123	(114)	(77)	(37)

	2006 over 2005			2005 over 2004		
	Total Change in Interest	Change due to Increase (Decrease) in Volume	Rate	Total Change in Interest	Change due to Increase (Decrease) in Volume	Rate
	(EUR million)					
Total Due from banks and Cash and cash equivalents	1,766	(412)	2,178	284	608	(324)
Retail banking	595	555	40	373	334	40
Merchant banking	2,749	1,469	1,279	1,775	680	1,095
Commercial & Private banking	579	288	291	347	280	67
Other banking	(72)	39	(111)	(102)	118	(220)
Total Loans to customers	3,850	2,351	1,500	2,394	1,412	982
Retail banking	7	17	(9)	0	0	0
Merchant banking	909	594	315	560	400	160
Commercial & Private banking	0	1	(1)	(6)	(4)	(2)
Other banking	0	(278)	277	155	26	129
Total Investments	916	333	582	710	422	287
Retail banking	645	581	64	289	327	(38)
Merchant banking	5,246	1,654	3,592	2,883	1,734	1,148
Commercial & Private banking	621	307	314	277	313	(37)
Other banking	19	(271)	290	(61)	67	(128)
Total Interest-earning assets	6,532	2,272	4,260	3,387	2,442	946
Interest Expenses:						
Retail banking	(43)	(33)	(10)	(71)	(44)	(27)
Merchant banking	3,170	2,794	376	682	(396)	1,078
Commercial & Private banking	(6)	(21)	16	(73)	16	(89)
Other banking	30	66	(36)	(105)	242	(347)
Total Due to banks	3,151	2,805	346	433	(182)	614
Retail banking	425	290	135	39	(32)	71
Merchant banking	1,478	543	935	1,977	1,741	236
Commercial & Private banking	397	289	108	252	137	115
Other banking	(110)	(57)	(53)	8	12	(3)
Total Due to customers	2,190	1,065	1,125	2,276	1,858	418
Retail banking	(2)	1	(3)	(6)	1	(7)
Merchant banking	981	495	486	674	574	100
Commercial & Private banking	0	1	(1)	(29)	(18)	(11)
Other banking	(90)	(21)	(69)	(46)	(59)	13
Total Debt certificates	889	475	413	592	497	95
Retail banking	2	2	1	0	0	0
Merchant banking	16	15	1	(20)	(7)	(12)
Commercial & Private banking	10	(1)	11	3	7	(3)
Other banking	38	(50)	88	46	(68)	113
Total Subordinated liabilities	67	(34)	101	29	(68)	97
Interest-bearing liabilities:						
Retail banking	382	259	123	(38)	(75)	37
Merchant banking	5,645	3,847	1,799	3,313	1,911	1,402
Commercial & Private banking	401	267	134	153	142	11
Other banking	(132)	(62)	(70)	(97)	127	(224)
Total interest-bearing liabilities	6,296	4,310	1,986	3,330	2,105	1,225
Change in net interest income	235	(2,038)	2,273	57	337	(280)

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

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

The maturities of assets and liabilities and the ability to replace, at acceptable cost, interest bearing liabilities as they mature, are important factors in assessing Fortis banking's exposure to change in interest rates

	At December 31, 2005						
	1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	No Maturity	Total
				(EUR million)			
Fixed rate financial instruments	97,720	41,255	57,798	60,228	86,950	10,762	354,713
Variable rate financial instruments	42,533	26,062	23,266	18,929	28,258	27,001	166,049
Non interest bearing financial instruments	—	—	—	—	—	59,099	59,099
Non financial instruments	—	—	—	—	—	59,335	59,335
Total assets	140,253	67,317	81,064	79,157	115,208	156,197	639,196
Fixed rate financial instruments	189,400	58,720	46,445	17,828	12,354	7,816	332,563
Variable rate financial instruments	34,637	8,057	3,436	15,888	4,124	124,170	190,312
Non interest bearing financial instruments	—	—	—	—	—	60,789	60,789
Non financial instruments	—	—	—	—	—	42,351	42,351
Total liabilities	224,037	66,777	49,881	33,716	16,478	235,125	626,015
On balance sheet interest sensitivity gap	(83,784)	540	31,183	45,441	98,730	(78,929)	13,181
Off balance sheet interest sensitivity gap	117,331	36,559	(108,194)	(52,958)	(10,412)		(17,675)
Total interest sensitivity gap	33,547	37,099	(77,011)	(7,517)	88,318	(78,929)	(4,493)
Cumulative interest sensitivity gap	33,547	70,646	(6,365)	(13,882)	(74,436)	(4,493)	

	At December 31, 2006						
	Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	No Maturity	Total
				(EUR million)			
Fixed rate financial instruments	89,803	40,432	56,197	71,666	97,441	8,110	363,649
Variable rate financial instruments	46,146	20,874	21,525	22,585	25,410	63,510	200,050
Non interest bearing financial instruments	—	—	—	—	—	46,837	46,837
Non financial instruments	—	—	—	—	—	64,122	64,122
Total assets	135,949	61,306	77,722	94,251	122,851	182,579	674,658
Fixed rate financial instruments	185,137	54,148	40,013	18,626	22,861	15,798	336,583
Variable rate financial instruments	32,877	22,532	5,092	10,026	14,136	141,803	226,466
Non interest bearing financial instruments	—	—	—	—	—	47,015	47,015
Non financial instruments	—	—	—	—	—	47,730	47,730
Total liabilities	218,014	76,680	45,105	28,652	36,997	252,346	657,794
On balance sheet interest sensitivity gap	(82,065)	(15,374)	32,617	65,599	85,854	(69,767)	16,864
Off balance sheet interest sensitivity gap	(327)	(4,291)	(7,495)	2,870	4,932	8,217	3,906
Total interest sensitivity gap	(82,392)	(19,665)	25,122	68,469	90,786	(61,550)	20,770
Cumulative interest sensitivity gap	(82,392)	(102,057)	(76,935)	(8,466)	82,320	20,770	

Investment and Trading Portfolio

The following table shows the book value of Fortis's banking investment and trading securities portfolio at December 31, 2006, 2005 and 2004.

	At December 31,		
	2006	2005	2004
		(EUR million)	
Trading:			
Belgian national government	3,428	1,409	4,108
Dutch national government	1,448	2,281	2,540
German national government	818	1,119	1,420
Italian national government	1,043	738	1,042
French national government	895	532	855
Greek national government	176	440	104
Spanish national government	472	424	365
Portuguese national government	71	128	273
Austrian national government	90	126	156
Finnish national government	67	9	217
Other national governments and other government agencies	1,379	1,099	917
Total trading government debt securities	9,887	8,305	11,997
Banks and financial institutions	2,674	3,452	2,491
Other corporate debts	4,957	5,376	4,177
Mortgage-backed securities	2,254	2,673	2,228
Other asset backed securities	2,681	1,177	1,200
Total trading corporate debt securities	12,566	12,678	10,096
Total trading debt securities	22,453	20,983	22,093
Available for Sale:			
Belgian national government	9,220	10,521	11,363
Dutch national government	5,700	6,588	8,167
German national government	10,061	9,719	5,069
Italian national government	15,988	18,660	19,692
French national government	7,174	6,933	4,186
Greek national government	4,430	5,484	4,190
Spanish national government	3,165	3,053	2,766
Portuguese national government	2,271	2,456	2,751
Austrian national government	1,582	1,869	2,176
Finnish national government	1,074	1,180	1,180
Other national governments and other government agencies	3,784	3,375	2,411
Total available for sale government debt securities	64,449	69,839	63,951
Banks and financial institutions	21,024	18,783	14,402
Other corporate debts	5,048	4,731	4,216
Mortgage-backed securities	9,797	13,220	8,733
Other asset backed securities	24,098	16,869	16,916
Total available for sale corporate debt securities	59,967	53,603	44,267
Total available for sale debt securities	124,416	123,442	108,218
Held to Maturity:			
Belgian national government	1,371	1,601	1,887
German national government	774	758	760
Italian national government	396	337	332
French national government	595	551	552
Greek national government	167	168	169

	At December 31,		
	2006	2005	2004
	(EUR million)		
Spanish national government	294	296	298
Portuguese national government	196	197	198
Austrian national government	20		
Other national governments and other government agencies	398	375	136
Total held to maturity government debt securities	4,211	4,283	4,332
Banks and financial institutions	109	868	867
Other corporate debts	185	219	222
Total held to maturity corporate debt securities	294	1,087	1,089
Total held to maturity debt securities	4,505	5,369	5,421
Held at fair value (through net income):			
Other corporate debts	62	16	21
Mortgage-backed securities	136	70	989
Other asset backed securities	2,309	1,521	21
Total held at fair value (through net income) corporate debt securities	2,507	1,607	1,031
Total held at fair value (through net income) debt securities	2,507	1,607	1,031
Equity securities and convertible debentures	30,962	21,890	18,952
Total investment securities	184,843	173,291	155,715

At December 31, 2006, banking operations held the following debt securities (investments) of the same issuer where the book value exceeded 10% of Fortis's combined net equity at that date:

Concentration of Risk

	At December 31, 2006	At December 31, 2005
	Book Value	Book Value
	(EUR million)	
Belgian national government	14,019	13,531
Dutch national government	7,148	8,869
German national government	11,653	11,596
Italian national government	17,427	19,735
French national government	8,664	8,016
Greek national government	4,773	6,092
Spanish national government	3,931	3,773
Portuguese national government	2,538	2,781
Austrian national government	1,692	1,995
Finish national government	1,141	1,189

Loan Portfolio

At December 31, 2006, Fortis's banking total loans amounted to EUR 375 million, or 56% of Fortis's banking assets. Receivables from customers, which principally includes receivables from governments and official institutions, residential mortgages, commercial loans and consumer loans, represented 76% of Fortis's total banking loans at December 31, 2006 (2005: 78%, 2004: 78%). Receivables from credit institutions, which principally includes current accounts, interest bearing deposits, securities purchased under resale agreements and loans and advances, represented 24% of Fortis's total banking loans at December 31, 2006 (2005: 22%, 2004: 22%). At December 31, 2006 approximately 2% of the receivables from customers were loans to the public sector (2005: 3%, 2004 3%) and approximately 98% were loans to the private sector (2005: 97%, 2004: 97%).

The following table sets forth details of receivables from customers based on the domicile of the customer at the date indicated.

	At December 31,		
	2006	2005	2004
		(EUR million)	
Total net receivables from customers:			
Total gross receivables from customers	288,078	280,233	228,127
Impairment	(2,201)	(2,371)	(2,620)
Total net receivables from customers	285,877	277,862	225,507
Breakdown by geography of borrower:			
Belgium			
Government and official institutions	4,028	5,974	4,449
Residential mortgages	23,561	21,706	19,573
Commercial loans	31,246	27,239	27,391
Consumer loans	2,798	2,652	2,552
Other loans	7,885	6,672	7,672
Total receivables Belgium	69,518	64,242	61,637
The Netherlands			
Government and official institutions	1,471	1,411	1,101
Residential mortgages	60,038	54,891	49,347
Commercial loans	22,512	21,902	19,014
Consumer loans	4,594	4,214	3,865
Other loans	12,192	6,286	4,777
Total receivables The Netherlands	100,808	88,704	78,103
Great Britain			
Government and official institutions	16	0	0
Residential mortgages	254	206	177
Commercial loans	6,359	5,580	3,808
Consumer loans	38	45	35
Other loans	24,608	29,749	17,828
Total receivables Great Britain	31,275	35,580	21,847
United States			
Government and official institutions	28	0	0
Residential mortgages	33	26	23
Commercial loans	7,665	5,136	4,357
Consumer loans	19	75	75
Other loans	19,091	36,050	26,978
Total receivables United States	26,837	41,288	31,432
Rest of the World			
Government and official institutions	938	445	423
Residential mortgages	4,754	3,357	3,215
Commercial loans	41,331	33,001	21,449
Consumer loans	2,495	2,175	1,968
Other loans	7,924	9,071	5,432
Total receivables Rest of the World	57,440	48,049	32,487
Total net receivables from customers	285,877	277,862	255,507
Breakdown by type of Loan:			
Government and official institutions	6,481	7,830	5,973
Residential mortgages	88,640	80,185	72,335
Commercial loans	109,112	92,858	76,019

	At December 31,		
	2006	2005	2004
		(EUR million)	
Consumer loans	9,944	9,161	8,495
Other loans	71,701	87,828	62,686
Total net receivables from customers	285,877	277,862	225,507

Loan Commitments

The following table provides loan commitments of the banking activities at December 31, 2006, 2005 and 2004:

	At December 31,		
	2006	2005	2004
		(EUR million)	
Guarantees and standby letters of credit	24,437	15,151	5,893
Commercial letters of credit	403	581	7,189
Documentary credits	9,154	7,049	4,168
Commitments to extend credit	231,954	157,033	84,727
Total commitments	265,948	179,814	101,977

Risk elements

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

On impaired loans interest continues to be accrued in the profit or loss account based on the original interest rates and the new carrying amount.

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

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

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

If Fortis forecloses on real estate or other collateral to satisfy defaulted obligations, some time may pass before it can dispose of such collateral at a reasonable price to satisfy its exposure. The following table shows the amount of foreclosed real estate held by Fortis's banking activities at the dates shown:

Foreclosed assets in EUR millions	At December 31, 2006	At December 31, 2005	At December 31, 2004
Foreclosed real estate	31	32	27

Fortis reviews its loan portfolios on a regular basis. The frequency of review depends on the loan classification, but internal monitoring tools available on a daily basis may trigger a change in classification at any time.

At December 31, 2006, Fortis Bank Group's total loans amounted to EUR 375 million (2005: EUR 358 million; 2004: EUR 289 million), or 56% (2005: 56%; 2004: 53%) of Fortis Bank Group's assets. Receivables from customers, which principally includes receivables from governments and official institutions, commercial loans and consumer loans, represented approximately 76% of Fortis Bank Group's total loans at December 31, 2006 (2005: 78%; 2004: 78%). The following table gives an overview of the impaired loans and the impairments recorded relative to the total portfolio:

	At December 31,		
	2006	2005	2004
	(EUR million, except %)		
Due from banks:			
Outstanding gross	89,438	80,086	63,101
Impaired outstanding	26	43	47
Impairments			
— specific credit loss	(17)	(18)	(16)
— IBNR	(8)	(14)	(29)
Total impairments to bank	(25)	(32)	(45)
Total receivable due from banks	89,413	80,054	63,056
Impairments due from banks as a % of outstanding loans	0.03%	0.04%	0.07%
Due from customers			
Outstanding gross	288,078	280,233	228,127
Impaired outstanding	5,674	6,136	5,728
Impairments			
— specific credit loss	(1,876)	(2,064)	(2,327)
— IBNR	(325)	(307)	(293)
	(2,201)	(2,371)	(2,620)
Total net receivables from customers	285,877	277,862	225,507
Impairments due from customers as a % of outstanding gross	0.76%	0.85%	1.15%
Credit commitments:			
Outstanding gross	165,047	119,446	83,701
Impaired outstanding	365	587	471
Provision for credit losses			
— specific credit loss	(150)	(143)	(152)
— IBNR	(80)	(88)	(41)
Total impairments on commitments	(230)	(231)	(193)
Average balance of impaired loans during the year	6,055	6,657	5,260
Interest collected on impaired loans	98	97	106

The table below shows Fortis Bank's consolidated credit receivables before impairments relating to the customer loan portfolio at December 31, 2006, 2005 and 2004, broken down by industry. These figures do not include any value adjustments.

	At December 31, 2006	2005	2004
	(EUR million)		
Agriculture, forestry and fishing	805	626	1,238
Energy and water	4,596	4,625	4,364
Metallurgic & non-metallic minerals	4,033	1,295	1,267
Chemicals and plastics	4,328	2,014	2,264
Metal works	2,694	2,114	2,130
Other manufacturing	15,248	13,696	69
Construction and engineering	5,545	2,818	3,304
Distribution, hotels and catering	10,004	8,513	10,808
Transport	5,489	4,335	3,622
Communication	1,472	1,421	623
Real estate	12,652	7,405	8,226
Shipping	3,994	2,269	1,938
Trade and commodity finance	2,984	1,579	518
Other services	17,132	13,775	7,559
Public administrations	4,536	5,522	5,772
Government and official institutions	6,458	7,781	5,975
Financial institution & services to firms (incl. insurance)	81,679	104,840	83,826
Monetary intermediations	1,055	1,762	2,027
Private persons	98,942	89,277	81,237
Unclassified	4,432	4,567	1,360
Total due from customers	288,078	280,234	228,127

The table below shows the changes in the impairments due from banks and impairments due from customers over the last three years.

Roll forward of impairments due from banks

	2006		2005		2004	
	Specific Credit Risk	IBNR	Specific Credit Risk	IBNR	Specific Credit Risk	IBNR
			(EUR million)			
As at January 1	18	14	16	29	17	62
Increase in impairments	4	4	1	9		1
Release of impairments	(1)	(10)	(2)	(11)		(34)
Write-offs of uncollectible loans			1		(1)	
Foreign currency translation effects and other adjustments	(4)	—	2	(13)	—	—
As at December 31	17	8	18	14	16	29

	2006	2005	2004
Impairments/Total due from banks ratio (at December 31)	0.028%	0.041%	0.072%
Average balance due from banks, gross (EUR million)	84,199	91,456	71,305

Roll forward of impairments due from customers

	2006		2005		2004	
	Specific Credit Risk	IBNR	Specific Credit Risk	IBNR	Specific Credit Risk	IBNR
			(EUR million)			
As at January 1	2,064	307	2,327	293	2,681	339
Acquisitions/divestments of subsidiaries	23	6	46	22	(10)	(9)
Increase in impairments	665	91	883	60	872	82
Release of impairments	(511)	(73)	(683)	(82)	(684)	(77)
Write-offs of uncollectible loans	(309)		(505)	(1)	(534)	(2)
Foreign currency translation effects and other adjustments	(56)	(6)	(4)	15	2	(40)
As at December 31	1,876	325	2,064	307	2,327	293

The table below sets forth Fortis Bank Group's large exposures, based on regulatory reporting under which a "large exposure" refers to an exposure that exceeds 10% of regulatory own funds, for the periods indicated. The data for years 2002,-2006 is prepared on a Belgian GAAP basis and the data for is prepared on an IFRS basis.

	# of Large Exposures	Total large Exposures as % of Equity	Total Loans to Customers
			(EUR million)
For year ended (Belgian GAAP)			
December 31, 2002	5	141%	151,881
December 31, 2003	5	130%	174,305
December 31, 2004	11	476%	206,306
December 31, 2005	15	533%	272,906
December 31, 2006	3	61%	285,910

Deposits

The aggregate average balance of Fortis banking's interest-bearing deposits (from banks and customer accounts) increased from EUR 225.2 billion in 2004 to EUR 245.9 billion in 2005 to EUR 286.5 billion in 2006. Interest rates paid reflect market conditions. The effect on net interest income depends upon competitive pricing and the level of interest income that can be generated through the use of funds.

The following table presents the average balance of, and the amount of interest paid and the average rate paid on, deposits over the last three years.

	2006			2005			2004		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
	(EUR million, except %)								
Deposits by Businesses:									
Deposits originated by Retail banking:									
Non-interest bearing demand deposits	21	0	0.0%	0	0		0	0	
Interest bearing demand deposits	21,773	(191)	0.9%	19,180	(126)	0.7%	18,571	(132)	0.7%
Deposits from central banks	0	0		0	0		0	0	
Saving deposits	56,515	(1,169)	2.1%	53,894	(1,129)	2.1%	(49,422)	(1,071)	2.2%
Time deposits	11,700	(545)	4.7%	9,894	(285)	2.9%	10,544	(313)	3.0%
Deposits Retail banking	90,007	(1,905)	2.1%	82,968	(1,540)	1.9%	78,537	(1,516)	1.9%
Deposits originated by Merchant banking:									
Non-interest bearing demand deposits	88	0	0.0%	41	0	0.0%	12	0	0.0%
Interest bearing demand deposits	34,847	(2,082)	6.0%	29,276	(746)	2.5%	31,993	(587)	1.8%
Deposits from central banks	84	0	0.1%	3	0	0.3%	0	0	0.0%
Saving deposits	6	0	1.7%	17	(1)	5.3%	17	(2)	11.3%
Time deposits	104,650	(4,558)	4.4%	83,971	(2,985)	3.6%	69,522	(2,060)	3.0%
Deposits Merchant banking	139,675	(6,640)	4.8%	113,308	(3,732)	3.3%	101,544	(2,649)	2.6%
Deposits originated by Commercial and Private banking:									
Non-interest bearing demand deposits	4	0	0.0%	7	0	0.0%	1	0	0.0%
Interest bearing demand deposits	27,333	(484)	1.8%	24,074	(350)	1.5%	20,942	(250)	1.2%
Deposits from central banks	0	0	0.0%	0	0		0	0	
Saving deposits	1,938	(77)	4.0%	2,440	(93)	3.8%	2,113	(79)	3.8%
Time deposits	14,200	(509)	3.6%	11,552	(287)	2.5%	9,067	(180)	2.0%
Deposits Commercial and Private banking	43,474	(1,070)	2.5%	38,074	(731)	1.9%	32,122	(510)	1.6%
Deposits originated by Other banking:									
Non-interest bearing demand deposits	39	0	0.0%	50	0	0.0%	2	0	0.0%
Interest bearing demand deposits	1,007	(100)	10.0%	1,197	(18)	1.5%	5,196	(9)	0.2%
Deposits from central banks	0	0		0	0		0	0	
Saving deposits	17	(2)	10.0%	1,024	(2)	0.1%	1,339	(47)	3.5%
Time deposits	12,286	(438)	3.6%	9,301	(501)	5.4%	6,441	(268)	4.2%
Deposits Other banking	13,348	(540)	4.0%	11,573	(521)	4.5%	12,978	(324)	2.5%
Total	286,504	(10,156)	3.5%	245,921	(6,524)	2.7%	225,180	(4,998)	2.2%
Total Deposits by type of Deposit:									
Non-interest bearing demand deposits	150	0	0.0%	98	0	0.0%	14	0	0.0%
Interest bearing demand deposits	84,959	(2,857)	3.4%	73,728	(1,240)	1.7%	76,702	(978)	1.3%
Deposits from central banks	84	0	0.1%	3	0	0.3%	0	0	0.0%
Saving deposits	58,475	(1,248)	2.1%	57,375	(1,225)	2.1%	52,890	(1,199)	2.3%
Time deposits	142,835	(6,050)	4.2%	114,719	(4,059)	3.5%	95,574	(2,821)	3.0%
Deposits banking	286,504	(10,156)	3.5%	245,923	(6,524)	2.7%	225,180	(4,998)	2.2%

* The average balances are calculated from quarterly data.

The following table shows the maturities of Fortis Bank Group's deposits at December 31, 2006 due to banks and deposits due to customers. The total deposits at December 31, 2006 in this table is the actual amount at the balance sheet date compared to the table above, which is based on average balances.

	Within 1 Year	1-2 Years	2-3 Years	3-4 Years	4-5 Years	Over 5 Years	No Maturity	Total
Deposits due to banks:								
On demand	524	8	0	0	0	0	6,772	7,304
Time deposits	73,644	145	58	13	27	244	1,160	75,291
Other deposits	92	4	1	2	0	0	46	145
Total	74,261	158	59	14	27	244	7,978	82,740
Deposits due to customers:								
Demand deposits	5,149	0	0	0	0	0	70,977	76,126
Savings deposits	126	14	4	4	8	292	55,271	55,720
Time deposits	61,531	1,332	2,479	961	553	7,847	68	74,770
Other deposits	43	17	0	0	0	0	169	229
Total	66,849	1,364	2,483	965	561	8,139	126,486	206,846
Total Deposits	141,110	1,522	2,542	979	588	8,383	134,463	289,585

Short-term Borrowings

Short-term borrowings are borrowings with an original maturity of one year or less. These are included in Fortis's combined balance sheet under the items amounts owed to customers and amounts owed to credit institutions and debt certificates. An analysis of the balance and interest rates paid on such item is provided below.

The following table presents information about Fortis short-term borrowings from banking operations:

	At December 31,		
	2006	2005	2004
	(EUR million, except %)		
Securities sold under repurchase agreements:			
Year-end balance	109,917	140,663	94,546
Average balance outstanding during the year	130,533	129,380	105,052
Maximum quarter end balance	144,041	151,103	114,656
Weighted average interest during the year	3.7%	3.1%	2.6%
Commercial paper:			
Year-end balance	39,155	39,550	21,791
Average balance outstanding during the year	38,895	25,087	26,629
Maximum quarter end balance	40,672	39,550	35,329
Weighted average interest during the year	2.6%	2.5%	1.1%

Capital

The following table sets forth certain information relating to Fortis Bank's capital:

	At December 31,		
	2006	2005	2004
	(EUR million, except %)		
Breakdown of assets:			
Weighted Risks(1)	240,104	212,095	172,391
Total Capital(2)	26,664	22,210	19,969
Ratios — Tier 1 Capital(2)	7.1%	7.4%	8.3%
Total Capital(2)	11.1%	10.5%	11.6%

(1) Weighted risks also includes off-balance sheet items and market risks.

(2) The basis for calculating these capital adequacy ratios was Belgian GAAP. As of January 1, 2006, the basis for calculating the capital adequacy rations is IFRS. See "*Operating and Financial Review and Prospects — Liquidity and Capital Resources — Bank Cash Flow*" for discussion of the impact on the equity as a result of the transition to IFRS.

RISK MANAGEMENT

General

In its daily activities, Fortis is exposed to a range of potential risks, the most significant of which include financial risk, insurance liability risk and operational risk. Financial risk includes credit risk, market risk (the potential loss resulting from unfavorable market movements) and liquidity risk (where any Fortis entity is unable meet its cash demands). Insurance liability risk refers to all underwriting risk in insurance activities and operational risk is composed of two elements: event risk and business risk.

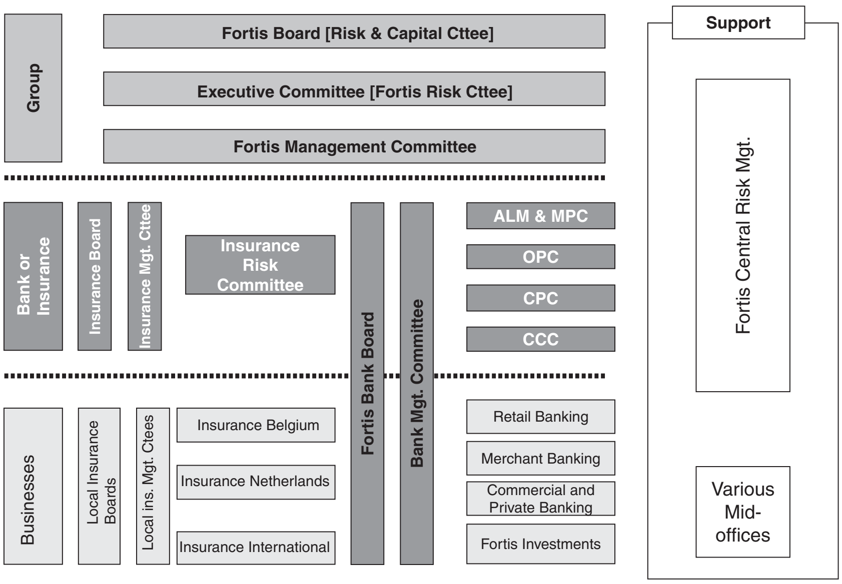
Due to the nature of its operations, Fortis' banking operations have market risk exposures in both its non-trading and trading portfolios. Because Fortis' insurance operations do not have trading portfolios, they do not incur market risk relating to such activities.

Risk Management Philosophy

Fortis has developed a common global risk management framework supported by central committees. Within the global risk management framework, as described below, risk management and risk monitoring units are closely linked to each business (business risk management) and/or to specific geographical areas (local/country-level risk management). In conjunction with the Fortis Central Risk Management organization, the CEO and/or CFO of each business have primary responsibility for the organization and execution of risk management within that business. Such CEO and/or CFO will adhere to and implement policies developed and decisions taken by the central committees.

Risk Monitoring and Management

The Fortis risk organization comprises a Board-level risk committee, executive risk committees at group, business and country levels, one central risk department and decentralized risk mid-offices in the businesses and at individual country levels. For additional information see Note 7.4 "Risk Management Organization" of the Notes to the 2006 Consolidated Financial Statements, incorporated by reference herein.



Fortis has a centralized organizational structure for risk management. The Board of Directors monitors group solvency, identifies significant risk and determines the general risk/return requirement. At the level of the Executive Committee, a subcommittee chaired by the CEO and CFO is responsible for setting the strategic guidelines and producing consolidated reports on risk management at group level. The subcommittee monitors the warning system for the solvency position. The banking and insurance activities each have their own responsibilities within this overarching monitoring of the risk management activities.

At the Fortis level, several senior management committees participate in the management and monitoring of risk. Such committees include the Risk and Capital Committee and the Audit Committee, two Fortis board level committees as well as the Executive Committee, which itself has a Risk Committee tasked with ensuring the consistency of approach across the Fortis activities (Banking and Insurance) and that appropriate consideration has been given to group level issues at all levels.

In addition to the foregoing committees, Fortis has also established the Fortis Central Risk Management (FCRM) department, headed by the Chief Risk Officer. Its role is to:

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

In the banking activities, the responsibilities for management and monitoring of risk lies with the Board of Directors and the Management Committee of Fortis Bank. They are assisted by a number of specific risk acceptance committees within Fortis Bank, including:

- the Central Asset and Liability Management & Market Risk Policy Committee (ALM & MPC), which sets out the guidelines for balance sheet management;
- the Central Credit Committee (CCC), which approves individual counterparty risks, including country limits and bank position limits;
- the Central Credit Policy Committee (CPC), which approves credit risk policies and processes, decides on concentration limits, signs off on new credit products and monitors credit portfolio quality and credit delegation limits; and
- the Central Operational Policy Committee (OPC), which establishes norms, policies and measurement standards in relation to operational risk-linked exposure.

Risk management at Fortis Bank subsidiaries is strongly supported by the local risk managers, who report to the central Risk Acceptance Committees (and, in functional terms, to Fortis Central Risk Management (FCRM)). Risk management reporting and control are separate from the commercial business units.

Responsibility for risk management in Fortis's insurance activities lies with the individual companies, since they are closest to the source of the various risks, but is coordinated at the level of Fortis by the Insurance Risk Committee. The Insurance Risk Committee, which is comprised of the CEOs and CFOs of each insurance business as well as Fortis Group CFO and Corporate Risk Officer, monitors the overall risks and solvency of the insurance business, setting risk policy for the insurance companies and approving investment policies.

In addition to these Risk Committees, the Management Committee has charged the independent FCRM team with supporting, monitoring and evaluating the risks taken by the businesses. The aim is to ensure that risk management is properly in line with Fortis's overall strategic objectives.

Integrated credit management, credit covering policy and credit reporting is organized within the Central Risk Management function and headed by the Chief Risk Officer. The operational aspects are integrated into the respective businesses. As a result, day-to-day management and support of the operational credit processes is the responsibility of the respective business CEOs. Setting objectives for local Risk Managers is the joint responsibility of the Fortis Group Chief Risk Officer and the business CEO.

Fortis also issued a Compliance Charter setting forth the operating standards and rules applicable in the centralized risk management structure. Compliance has implemented its Compliance Risk Assessment methodology which includes a comprehensive reporting scheme to monitor the development and implementation of the action plans.

In 2005, Fortis introduced a whistleblower procedure, and on January 1, 2006, Investigations joined the Legal and Compliance department to form a single Fortis-wide operating department. The mission of Investigations is to pursue Fortis's zero tolerance to fraud policy and to ensure that the companies within the Fortis Group, their employees and intermediaries operate in an ethical manner by investigating fraudulent acts and other unacceptable behavior and by participating in the prevention, detection and monitoring of such acts in close collaboration with Compliance and Internal Audit.

Principal Risks

Operational Risk

All companies face operational risk due to the inherent uncertainty in their operating activities, due either to external factors or uncontrolled internal factors. Operational risk is divided into two components: event risk and business risk.

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

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

Financial Risk

Fortis risk management distinguishes between the financial risk categories of credit risk, market risk and liquidity risk. In the banking business, credit risk consists primarily of the risk of default on the part of borrowers or counterparties. This risk largely stems from three possible sources, namely counter party risk, transfer risk and settlement risk. In the insurance business, credit risk consists mainly of counterparty risk inherent in investment portfolios and mortgages.

The main market risks in the banking business can be broken down into risks affecting structural positions (ALM risks), risks arising from trading activities (trading risk) and liquidity risk. Trading risk relates to the trading positions taken to benefit from short-term volatility in the different risk factors of the financial markets. This trading risk is the risk of loss due to high volatility in financial markets of share prices, interest rates, currency rates and real estate prices. In the insurance business, market risk relates specifically to the impact of financial changes on structural positions (ALM risk).

ALM risk is measured and managed with consistent methods (e.g. including fair value calculations, stress tests and worst-case sensitivities) and within a unique risk management framework. ALM risk focuses on value and earnings changes implied by volatility in interest rates, exchange rates, share prices and real estate prices. The risk of change in volatility is not taken into account in these figures.

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

Insurance Liability Risk

Insurance liability risk refers to all underwriting risks in insurance activities, exclusive of any components that are driven by financial market considerations (such as interest rates). Due to the different nature of Life, Accident & Health and Property & Casualty operations, the risks in these activities are treated separately. Life liability risks are also referred to as mortality and longevity risk.

Life risk. Life risk results mainly from discrepancies in the timing and amounts of the cash flows due to the incidence of death (mortality risk) or non-incidence of death (longevity risk) depending on whether the product written by the insurer is life cover or annuity/pension cover. Due to the long-term nature of life business, unexpected changes to lapse behavior and ongoing expenses are also considered within life risk.

Accident & Health risk. Accident & Health risk refers to the variation in claim levels and timing due to fluctuations in policyholder morbidity and accident claims.

Property & Casualty risk. Property & Casualty risk is defined as the variability in claims costs and includes the uncertainty regarding claims reserves (incurred claims on expired contracts) and unearned premiums (future claims on unexpired contracts).

Market risk in Banking

Market Risk: Trading

The main trading risks to which Fortis's banking operations are exposed are interest rate, currency, equity security, commodity and energy price risks. Trading risk is limited to the Merchant & Private Banking activities for which the daily outcome of transactions depends on developments in these risk factors.

Trading risk activities consist of client-related trading activities as well as proprietary trading activities. They cover almost the full spectrum of instruments available on modern financial markets and are centered in the dealing room in Brussels with local dealing rooms in New York, Houston, Hong Kong, Singapore, Taipei, Shanghai, London, Istanbul, Warsaw, Luxembourg and Amsterdam. All desks in these dealing rooms report to Brussels.

Risk taking is based on a three-pillar Merchant Banking risk structure: risk management organization, risk policies and risk decision procedures. Independent risk management provides information about the Merchant Banking risk profile to the Merchant Banking management team, Merchant Banking Risk Committees and to FCRM. Integrated risk management systems are installed, to analyze and measure the variety of risk systematically.

Fortis has established limits to define the risk tolerance and to keep trading risk exposure under control. Several risk parameters exist, to cover all risk characteristics of exposures such as position (modified duration, delta, vega), Value-at-Risk (VaR), stress test and concentration limits. All limits are reviewed once a year in connection with the average limit use, past performance, volatility of income and the new budget.

Risk information from all locations is centralized in one global risk database. The progressive integration of all dealing rooms continues in conjunction with the implementation of centralized front office information technology systems.

Fortis uses a linear VaR indicator to provide a report of a worldwide-consolidated risk picture that takes into account diversification and correlation between the different risk factors (interest rates, exchange rates, equities and commodities) and entities. This linear method is based on a holding period of one day and a confidence interval of 99%. The graph and table below is based on the linear VaR methodology.

Linear value-at-risk including all risk factors (in EUR million) is as follows:

	At December 31,		
	2006	2005	2004
	(EUR million)		
Highest VaR	40.6	22.9	46.8
Lowest VaR	16.2	10.0	9.2
Average VaR	24.8	14.4	21.7

The VaR of the recent acquisition of Cinergy Marketing and Trading is not included in the total VaR above. In 2006, Merchant Banking took, on average, additional risk exposure compared to 2005. The VaR increased progressively during the first half of the year, mainly driven by more aggressive positioning on interest rates and equities. During the second half of the year, the interest rate risk exposure was progressively downsized.

The effectiveness of VaR calculations is tested using back-testing, which compares the VaR forecast with the calculated market-to-market change using observed daily market data variation. The back-testing measures, on a one-year rolling window, the number of losses exceeding the VaR prediction. For a 99% confidence level, such losses should happen once per 100 days. Back-testing analysis revealed that Fortis achieved such target.

Market Risk: ALM risk

ALM Risk: Interest rate risk

Interest rate volatility is a dominant risk factor in the banking and insurance industries. Fortis's banking and insurance activities are characterized by opposite interest rate profiles, thereby triggering natural risk mitigation.

The three main sources of interest rate risk actively monitored at Fortis are:

- repricing risk, due to a mismatch of interest rate repricing between assets and liabilities (usual mismatch);

- changes in the structure of yield curves (parallel, flattening or sloping shifts); and
- optionality, when certain financial instruments carry embedded options (hidden or explicit) that may be exercised depending on the evolution of interest rates on the market.

Fortis measures, monitors and controls its ALM interest rate risk using the following indicators:

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

Additional information on Fortis's banking exposure to interest rate risk can be found in Note 7.6.2 "Market risk" of the Notes to the 2006 Consolidated Financial Statements, incorporated by reference herein.

ALM risk: Interest rate risk mitigating strategies

Within the banking activities, interest rate risk is mitigated using a range of different instruments. The most important are derivatives, primarily interest rate swaps and options. Interest rate swaps are used to change the linear risk profile, mainly caused by long-term assets, e.g. fixed rate mortgages and by long-term liabilities, e.g. subordinated liabilities. Options are used to reduce the non-linear risk, which is mainly caused by the embedded options sold to the client, e.g. caps and prepayment options.

ALM risk: Currency risk

No currency risk is taken in the ALM bank position due to the application of the following principles:

- loans and bond investments in currencies other than the functional currency of Fortis must be hedged by a funding in the corresponding currency;
- participations in currencies other than the functional currency of Fortis must be hedged by a funding in the corresponding currency; the Fortis policy for banking activities is to hedge via short-term funding in the corresponding currency wherever possible and net-investment hedge accounting is applied; and
- the results of branches and subsidiaries in currencies other than the functional currency of Fortis activities are hedged on a regular basis (monthly or quarterly).

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

Additional information on Fortis's banking exposure to interest rate risk can be found in Note 7.6.2 "Market risk" of the Notes to the 2006 Consolidated Financial Statements, incorporated by reference herein.

Market risk in Insurance

Market Risk: ALM risk

In the insurance business, market risk refers specifically to the impact of financial changes on structural positions.

Fortis reduces the potential negative impact of market fluctuations by carefully considering forecast payments to policyholders when selecting investments. This means that for many life insurance products with a savings element, it is necessary to determine the influence of shifts in the financial markets on benefits paid to policyholders. Within Fortis the actuarial, investment and ALM departments work together to model the influence of market conditions on investments and insurance products, to allow the best possible investment strategy to be selected.

The tools that Fortis uses to monitor market risk include simulation models, scenario analyses and stress testing. The potential impact of shifts in interest rates, share prices and real estate prices on solvency, earnings and embedded value is calculated regularly. Fortis uses derivatives to limit its market risk.

ALM risk: Interest rate risk

Information on Fortis's insurance exposure to interest rate risk can be found in Note 7.6.2 'Market risk' of the Notes to the 2006 Consolidated Financial Statements, incorporated by reference herein.

ALM risk: Currency risk

Fortis's policy regarding currency exposure stemming from foreign participations states that all currency risk should be hedged except in certain circumstances. This policy is applied through implementation of the three following principles:

- the initial investment must be hedged if hedge accounting can be applied. The Fortis policy for Insurance activities is to hedge via loans when possible
- the results must be hedged if the budget results exceed EUR 5 million. The underlying exposure should be increased linearly towards the year end results
- other (IFRS) equity will not be hedged.

Exceptions to the policy are accepted by the IRC and are generally accepted if:

- foreign exchange volatility is relatively small (<3% or <5 million); or
- there is a strong belief in an appreciation of foreign currency exceeding any Euro currency interest differential minus any additional hedging fees (such as with non-deliverable forwards); or
- an (effective) hedge is operationally not possible.

Within the Insurance activities ALM risk is mitigated using a range of different instruments described below.

The equity securities exposure of the Insurance activities is protected through a CPPI-structure (Constant Proportion Portfolio Insurance) and a portfolio of put options on the AEX index. CPPI is an automated mechanism for buying/selling equity securities in order to guarantee a minimum value of the equity securities portfolio, referred to as the floor.

The swaptions program provides protection against the downside interest rate risk. This structure has been allocated to insurance contracts yielding a guaranteed rate equal to the strike rate of the swaptions. This structure ensures payment of the guaranteed rate while retaining the upward potential on rates.

The insurance activities are negatively impacted in a low interest rate environment. This risk arises from the guaranteed rate on the insurance liabilities and the imperfect matching with assets. Fortis has set up a special reserve, the Low Interest Rate Reserve (LIRR) for all insurance contracts yielding a guaranteed rate of at least 4%.

Insurance Liability Risk

Insurance liability risk arises in connection with the adequacy of insurance premiums and reserves to meet the obligations incurred through the sale of insurance contracts. The key feature of the insurance business is a transfer of risk from the policyholder to the insurance company. Whilst for the policyholder this risk may be random and unpredictable, insurance companies are able to pool such individual risks into portfolios and analyze and model the average underwriting claims and their potential variation for such portfolios. Uncertainty surrounding future expenses and lapse rates is also included under insurance liability risk in view of their potential impact on overall claims and provisioning requirements.

Underwriting risk relates to the process in which applications submitted for insurance coverage are reviewed and it is determined whether the coverage being requested for a specified premium will be provided, as well as the pricing of such risk. The risk management departments within the operating units of Fortis are responsible for evaluating and managing these insurance risks, as well as sharing responsibility with other departments for investment policies (see "— *General*"), underwriting policies, and product pricing. Fortis's risk management departments (including its actuaries) regularly assess the adequacy of premium rates and technical provisions.

Fortis manages insurance liability risk through a combination of its underwriting policy, pricing, provisioning and reinsurance arrangements. Underwriting policies are set at the local level and involve review procedures with actuarial personnel, in which actual loss experience is examined. A range of indicators and statistical analysis tools are systematically employed to refine underwriting standards in order to improve loss experience and/or ensure pricing is adjusted appropriately.

Fortis seeks to set premiums at a level that will ensure that the premiums received plus the investment income earned on them exceed the total amount of claims and costs of handling those claims and managing the business. The premium setting on policies (pricing) is performed using statistical analysis based on internal and external historical data. The appropriateness of pricing is tested using techniques and key performance indicators appropriate for a particular portfolio, on both a priori basis (e.g. profit testing) and a postpriori basis (e.g. embedded value, combined ratios).

The factors taken into consideration in the pricing of insurance vary by product, according to the coverage and benefits offered, but in general include such items as:

- expected claims to be made by and expected benefits to be paid to policyholders and their timing
- the level and nature of uncertainty associated with the expected benefits (this includes analysis of claims statistics as well as consideration of the evolution of jurisprudence, the economic environment and demographic trends)
- other costs of producing the relevant product, such as distribution, marketing, policy administration, and claim administration costs
- financial conditions, reflecting the time value of money
- solvency capital requirements and target levels of profitability
- insurance market conditions, notably competitor pricing of similar products.

Fortis establishes liabilities for future claims on policies and sets aside assets to support those liabilities (provisioning).

Management believes that Fortis's actuarial departments have consistently established conservative technical provisions. The appointed independent actuaries of each Fortis company have given unqualified opinions regarding the adequacy of technical provisions based on local regulatory requirements as of December 31, 2006. See "*— Non-Life Insurance Provisions; Establishment of Claims Provisions" and "Life Insurance Provisions; Establishment of provisions*".

Where appropriate, Fortis operating units also enter into reinsurance contracts to limit exposure to underwriting losses. In non-life lines, the predominant use of reinsurance is intended to manage exposure to weather related events, natural catastrophes, events involving multiple victims, catastrophic fires, nuclear accidents and general liability. The selection of reinsurance companies is based primarily on pricing and counterparty risk management considerations. To meet the diversification requirements at group level, reinsurance strategy is coordinated centrally and when appropriate, is channeled through Fortis Reinsurance, an internal reinsurance company. The role of this company is to bring retentions in defined lines of business up to a level which is sustainable for the consolidated Fortis Group. The reinsurance purchased may be on a policy by policy basis (per risk), or on a portfolio basis (per event) where individual policyholder exposures are within internal limits but where an unacceptable risk of accumulation of claims exists. See Note 7.7 "Insurance Liability Risk Management" of the Notes to the 2006 Consolidated Financial Statements, incorporated by reference herein.

Non-Life Insurance Provisions; Establishment of Claims Provisions

In accordance with industry and accounting practices and applicable insurance laws and regulatory requirements, Fortis's non-life companies establish provisions for payment of claims and claims expenses for claims that arise from their respective non-life insurance policies. In general, Fortis companies establish claims provisions by product, coverage and year.

Claim provisions (also referred to as loss provisions) fall into two categories: provisions for reported claims and claims expenses and for incurred but not yet reported claims and claims expenses.

Provisions for reported claims and claims expenses are based on estimates of future payments that will be made in respect of reported claims, including the expenses relating to the settlement of such claims. Such estimates are made on the basis of the facts available at the time the provision is established. These provisions are established on an undiscounted basis to recognize the estimated costs necessary to bring all pending reported claims to final settlement, taking into account inflation, as well as other factors which can influence the amount of provisions required, some of which are subjective and some of which are dependent upon future events. Consideration is given to historical trends of disposition patterns and loss payments, pending levels of unpaid claims and types of coverage. In addition, court decisions, economic conditions and public attitudes affect the estimation of provisions, as well as the ultimate costs of claims.

As time passes between when a claim is reported and final settlement of the claim, circumstances can change which may require established provisions to be adjusted either upward or downward. Items such as changes in law, results of litigation and changes in medical costs, costs of motor and home repair materials and labor rates can substantially impact claim costs. Accordingly, claims and provisions are reviewed and re-evaluated on a regular basis. Amounts ultimately paid in claims and claims expense can vary significantly from the level or provisions originally set.

Provisions for incurred but not yet reported claims and claims expenses are established on an undiscounted basis to recognize the estimated cost of losses that have occurred but about which Fortis has not yet been notified. The provision, like the provision for reported claims and claims expenses, is established to recognize the estimated costs, including expenses, necessary to bring claims arising out of losses to final settlement. Since nothing is known about the occurrence, Fortis must rely upon its historical information to estimate the incurred but not yet reported claims and claims expense liability.

Late reported claim trends, claim severity, exposure growth and other factors are used in projecting the provision requirements. These provisions are also revised as additional information becomes available and claims are made.

The time required to learn of and settle claims is an important consideration in establishing provisions. Short-tail claims, such as motor damage and property damage claims, generally are reported within a few days or weeks and are settled shortly thereafter. Resolution of long-tail claims, such as bodily injury or liability claims, can take years to complete. For long-tail claims, due to the nature of the loss, information concerning the event, such as required medical treatment, may not be readily obtainable. In addition, the analysis of long-tail losses is more difficult, requires more detailed work and is subject to greater uncertainties than short-tail losses. Analyses are made of, among other things, Fortis's experience with similar cases and historical trends, such as reserving patterns, exposure growth, loss payments, pending levels of unpaid claims, as well as court decisions and economic conditions. Any adjustments resulting from changes in provision estimates are reflected in current results of operations. However, because the establishment of claims provisions is an inherently uncertain process, there can be no assurance that ultimate losses will not exceed existing claims provisions, and this risk is covered by the additional assets held as solvency capital.

Adequacy of Provisions. On the basis of Fortis's internal procedures which analyze, among other things, Fortis's experience with similar cases and historical trends, (such as reserving patterns, exposure growth, loss payments, pending levels of unpaid claims and product mix, as well as court decisions and economic conditions) management believes based on information currently available that Fortis's non-life claims provisions are adequate. Claims provision estimates are regularly reviewed and updated, using the most current information.

Any adjustments resulting from changes in provision estimates are reflected in current results of operations. However, because the establishment of claims provisions is an inherently uncertain process, there can be no assurance that ultimate losses will not exceed existing claims provisions.

Life Insurance Provisions; Establishment of Provisions

In the life business, insurance liability risks arise due to uncertainty relating to mortality rates and is therefore also referred to as biometric risk. Claims in relation to term insurance and annuity products are sensitive to changes in mortality rates. An observed mortality rate decrease as compared to the mortality assumption used in the product pricing is referred to as longevity risk, while increases are referred to as mortality risk. Unexpected increases in mortality rates will lead to higher than expected claims for term products but lower claims for annuity products, while decreases in mortality rates (longevity risk) will have the opposite impact. Given the long-term nature of life business, unexpected changes in lapse rates and on-going expenses can also have a significant impact on the level of the required provisions.

Longevity risk. Longevity risk covers the uncertainty in ultimate claims due to policyholders living longer than expected and can arise, for example, in annuity portfolios within life insurance and workers' compensation portfolios within non-life insurance.

Longevity risk is managed through pricing, underwriting policy, by regularly reviewing the mortality tables used for pricing and establishing provisions, by limitation of the contract period and by repricing at renewal. Where longevity is found to be improving faster than assumed in the mortality tables, additional provisions are established and the tables are updated.

Mortality risk. Mortality risk covers uncertainty in ultimate claims due to policyholders not living as long as expected and can arise, for example, in term life insurance portfolios within life insurance. Given the continuing expected increase in life expectancy of the population the mortality risk in the existing business on a portfolio level is not material at this stage. However, mortality risk could become material if epidemic diseases were to manifest themselves and the risk that a large number of people are killed by a major event such as an industrial accident or terrorist attack.

Mortality risk is mitigated through underwriting policy, regular review of mortality tables, but also through several excess-of-loss and catastrophe reinsurance treaties.

Disability risk. Disability risk covers the uncertainty in claims due to disability rates and levels higher than expected and can arise, for example, within the portfolios of the disability and health business and workers' compensation.

The incidence of disability as well as the recovery from disability is influenced by the economic environment, governmental intervention, medical advances and costs as well as standards used for disability assessment.

This risk is managed through regular review of historical claims patterns, expected future trends and adjusting pricing, provisioning and underwriting policy appropriately. Fortis also mitigates disability risk through medical selection strategies and appropriate reinsurance coverage.

Credit Risks for Banking and Insurance Operations

Credit risk is defined as the risk to earnings or capital arising from an obligor's failure to meet the terms of any contract or to fail in some other way to perform as agreed. Credit risk cannot be measured or monitored in isolation from other risks, in particular, market, country and legal risks. Credit risk arises in lending, investing, trading and hedging activities.

Credit risk is the risk that a counterparty will fail to repay all or part of the principal and interest owed to the creditor. This failure may be caused either by the counterparty's non-payment ('counterparty risk), or by the imposition of transfer restrictions by the country in which the counterparty operates (transfer risk). Counterparty risk arises primarily from borrowers, re-insurers and bond issuers, but also includes trading counterparties and foreign countries that are unable or unwilling to meet their obligations

All credit risk management within Fortis is governed by one policy, the Fortis Credit Policy. This policy contains a set of principles, rules, guidelines and procedures for identifying, measuring, approving and reporting credit risk within Fortis. Fortis Credit Policy establishes a consistent framework for all credit risk-generating activities, either through direct lending relationships or through other activities resulting in credit risk such as investment activities or reinsurance claims

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

Assessing the credit risk of a proposed agreement consists of:

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

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

Authorized persons or committees make a credit decision, based on this opinion. Delegation of credit authority is the partial transfer of the central credit decision-making authority to the appropriate management levels of credit risk management and the businesses. The delegation rules define the decision-making process regarding the acceptance and management of counterparty risk. The underlying principle in the rules is the need to obtain an appropriate balance (in terms of overall profitability) between two opposite drivers, namely the maximizing of the decision-taking autonomy of the businesses on the one hand and the reduction of counterparty risk on the other.

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

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

Impaired credits are transferred to 'intensive care' or 'recovery'. Intensive care develops strategies to rehabilitate an impaired credit or to increase the final repayment. Intensive care also provides valuable input and assistance to the businesses in dealing with non-impaired problem loans. The intensive care function is segregated from the area that originated the credit.

Credit Risk exposure

Fortis's overall credit risk exposure (before collateral held and other credit enhancements) for the periods indicated below can be summarized as follows:

	At December 31,	
	2006	2005
Cash and cash equivalents	20,414	21,822
Assets held for trading		
Debt securities	22,199	20,904
Derivative financial instruments	21,545	23,789
Total assets held for trading	43,744	44,693
Due from banks		
Interest bearing deposits	5,054	4,390
Loans and advances	6,230	2,988
Reverse repurchase agreements	49,592	55,831
Securities lending transactions	24,425	13,785
Other	4,855	4,040
Total due from banks	90,156	81,034
Due from customers		
Government and official institutions	5,776	8,355
Residential mortgages	93,550	84,561
Consumer loans	10,398	9,818
Commercial loans	111,479	94,266
Reverse repurchase agreements	35,797	59,657
Securities lending	18,355	15,108
Other	13,374	11,450
Total due from customers	288,729	283,215

	At December 31, 2006	At December 31, 2005
Interest bearing investments		
Treasury bills	895	504
Government bonds	95,901	99,167
Corporate debt securities	44,561	40,871
Mortgage backed securities	10,612	13,589
Other asset backed securities	29,356	20,860
Total interest bearing investments	181,325	174,991
Reinsurance and other receivables	9,275	9,653
Total on balance credit risk exposure	633,643	615,408
Off balance credit commitments exposure	165,047	119,446
Total credit risk exposure	798,690	734,854

A concentration of credit risk arises when the credit exposure of a group of counter parties is similarly impacted by economic trends, changes within a sector or geographical developments. Although the financial instruments in Fortis's portfolio are spread widely across various sectors, products and geographical areas, there is a potential concentration risk due to significant transactions which Fortis Bank concludes with other financial institutions, particularly in the field of loans (including reverse repurchase agreements and securities lending transactions), settlement risk and derivative transactions. Additionally, debt securities issued by the Belgian, Dutch, German, Spanish, Italian, French and US governments represent considerable credit exposure.

The table below shows Fortis's industry concentration of the customer credit portfolio at December 31, 2006 and 2005.

	At December 31, 2006		At December 31, 2005	
	Due from customers	%	Due from customers	%
	(EUR million, except %)			
Agriculture, forestry and fishing	806	0.3%	626	0.2%
Energy and water	4,691	1.6%	4,669	1.6%
Metallurgic & non-metallic minerals	4,040	1.4%	1,295	0.5%
Chemicals and plastics	4,355	1.5%	2,014	0.7%
Metal works	2,694	0.9%	2,114	0.7%
Other manufacturing	15,413	5.3%	12,925	4.6%
Construction and engineering	5,552	1.9%	2,818	1.0%
Distribution, hotels and catering	10,034	3.5%	8,514	3.0%
Transport	5,466	1.9%	4,310	1.5%
Communication	1,529	0.5%	1,421	0.5%
Real estate	12,937	4.5%	7,517	2.7%
Shipping	3,993	1.4%	2,273	0.8%
Trade and commodity finance	2,984	1.0%	1,579	0.6%
Other services	17,182	6.0%	13,858	4.9%
Public administrations	4,668	1.6%	6,216	2.2%
Government and official institutions	5,776	2.0%	8,355	3.0%
Financial institution & services to firms (incl. insurance)	76,443	26.5%	100,118	35.4%
Monetary intermediations	1,094	0.4%	2,431	0.9%
Private persons	102,796	35.6%	94,132	33.2%
Unclassified	6,276	2.2%	6,030	2.0%
Total	288,729	100.0%	283,215	100.0%

Loans to private persons mainly represent residential mortgage loans (90%) and to a lesser extent consumer loans (10%). Financial institutions includes holdings, investment companies and insurance companies but excludes banks.

The following table outlines the credit quality by investment grade of Fortis's debt securities at December 31, 2006 and 2005, based on external ratings.

	At December 31,			
	2006		2005	
	Carrying value	%	Carrying value	%
	(EUR million, except %)			
Investment grade				
AAA	89,477	49.3%	81,070	46.3%
AA	54,756	30.2%	61,810	35.3%
A	31,770	17.5%	25,440	14.5%
BBB	2,304	1.3%	2,074	1.2%
Investment grade	178,307	98.3%	170,394	97.3%
Below investment grade	1,451	0.8%	1,387	0.8%
Unrated	1,555	0.9%	3,176	1.9%
Total net investments in interest bearing securities	181,313	100.0%	174,957	100.0%
Impairments	12		34	
Total gross investments in interest bearing securities	181,325		174,991	

Geographic Exposure

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

	At December 31,			
	2006		2005	
	Credit risk exposure on balance	%	Credit risk exposure on balance	%
	(EUR million, except %)			
Location of customer				
Benelux	251,842	39.7%	240,066	39.1%
Other European countries	289,364	45.7%	270,445	43.9%
North America	70,778	11.2%	79,541	12.9%
Asia	11,343	1.8%	11,093	1.8%
Other	10,316	1.6%	14,263	2.3%
Total	633,643	100.0%	615,408	100.0%

The table below provides information at December 31, 2006 on the concentration of credit risk by location of customer and type of counterparty.

	At December 31, 2006					
	Government and official institutions	Credit institutions	Corporate customers	Retail customers	Other	Total
	(EUR million)					
On-balance						
Benelux	35,982	13,150	90,094	98,479	14,137	251,842
Other European countries	70,640	102,266	84,699	4,489	27,270	289,364
North America	1,182	14,474	47,970	61	7,091	70,778
Asia	290	4,976	4,706	271	1,100	11,343
Other	397	2,688	6,196	158	877	10,316
Total on-balance	108,491	137,554	233,665	103,458	50,475	633,643

In this table, Government and official institutions includes mandatory reserve deposits with central banks. Credit institutions comprises Due from banks and Debt securities issued by banks. Trading assets are reported in the column Other.

Additional information on credit risk exposure can be found in Note 7.6.1 'Credit Risk' of the Notes to the 2006 Consolidated Financial Statements, incorporated by reference herein.

Operational and Legal Risk for Banking and Insurance Operations

Operational Risk

Operational risk comprises all risks that are not directly related to the underlying economics of Fortis's banking or insurance activities. Operational risk can be split into two categories for reporting and monitoring purposes. The first category represents the business risk: the risk of losses due to events that could damage a business's franchise or its operating economics, such as shifts in the competitive environment, or legislative or tax changes. The second comprises the risk of losses due to non-recurring events such as system failure, error, fraud, crime, legal proceedings or damage to property. Operational risk can result from any of the following: failure to obtain proper internal authorizations, failure to properly document transactions, equipment failures, fraud, inadequate training or errors by employees. Operational losses include losses due to a failure of internal controls, personnel unavailability or injury and external events relating to natural disasters or the failure of external systems.

Central Risk Management has defined an Operational Risk & Management Control (ORMC) framework including policies for managing operational risk, the collection of loss events, risk self-assessments, scenario analyses, key risk indicators, use of scans, business continuity management, information security, risk transfer management and, where appropriate, the signing of management control statements.

The Operational Risk & Management control framework is implemented consistently throughout Fortis Bank. Each business and legal entity complies with the methodology and associated tooling, or integrates its business approach into that framework.

To identify and analyze where operational risk exposures manifest themselves, the businesses continuously collect loss data (events above the EUR 1,000 threshold, including causal information, in a central application called OPERA. In 2006 Fortis Bank did not experience any material operational losses.

Legal risk

Legal risk includes the possibility that transactions may not be enforceable under applicable law or regulation and the possibility that changes in law or regulation could adversely affect Fortis's position. The risk is greater with respect to derivative financial instruments as applicable law is relatively recent and in some cases incomplete. Fortis manages legal risk by seeking to ensure that transactions are properly authorized and by submitting new or unusual transactions to its external legal advisers for review.

While grouped under a single centralized management, Fortis's legal departments are dedicated to specific business lines and assess the contracts and monitor developments in the legislative and regulatory fields relevant to their respective business lines. Fortis has strict procedures in place to ensure that all routine transactions are approved correctly and that new or unusual transactions are submitted for assessment by its legal advisers. In order to control the risks related to compliance with the applicable laws and regulations, all Fortis business lines also have a separate compliance function. A centralized management heads Fortis Group's various compliance functions and each year draws up a consolidated report on compliance that is discussed with the Audit Committee.

Liquidity Risk

The primary goal of the Fortis liquidity policy is to ensure that sufficient cash and liquid assets are maintained to meet current and future financial obligations at all times, in both normal and stressed circumstances, for every currency in which there is an exposure, and for all its banking, insurance and holding companies, including special purpose vehicles.

Banking

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

Insurance

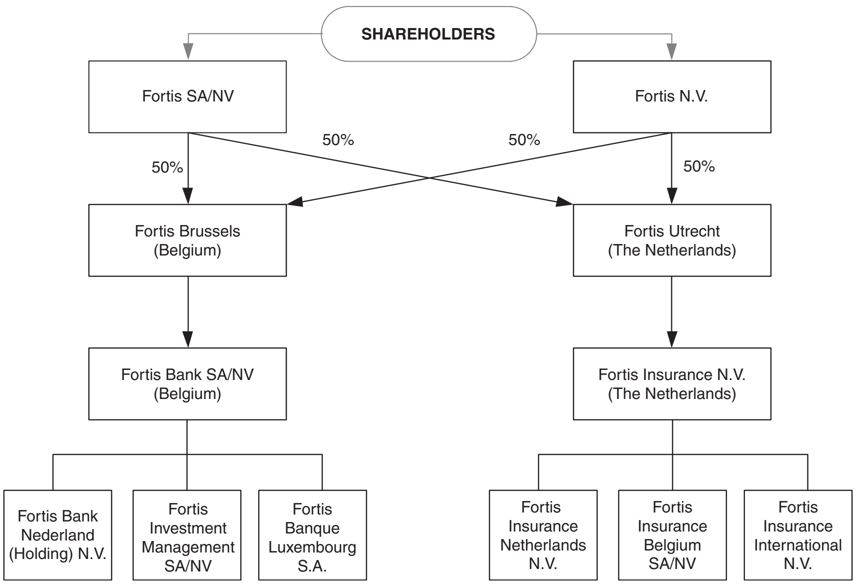
The investment, actuarial and ALM departments of the insurance operating units jointly bear responsibility for managing liquidity risk. Liquidity risk is defined as the potential inability to fund illiquid assets. The illiquid investments of the insurance operations include real estate investments, private loans, and certain investments in non-listed equity and debt securities. Because of the importance of the capital markets as a potential source of finance, liquidity risk is closely linked to solvency and creditors' confidence in Fortis's ability to meet its commitments. Fortis uses stress tests and other contingency analyses to monitor the solvency of the insurance sector. The funding sources are primarily insurance products, many of which have terms that penalize or prohibit early surrender, thus ensuring continued access to these funds.

Organizational structure

The Fortis Share was created after a unification process, which was completed in December 2001 and represents the twinned Fortis SA/NV Shares and Fortis N.V. Shares. The Fortis Share is listed on the regulated market of Euronext Brussels and Eurolist by Euronext Amsterdam. Fortis also has a secondary listing on the EU regulated market of the Luxembourg Stock Exchange and a sponsored over-the-counter ADR program in the United States.

As part of the unification process, Fortis implemented a number of mergers and other legal steps. The operating companies of the Fortis Group are owned by Fortis Bank (principally banking and asset management) and Fortis Insurance N.V. (principally insurance). Fortis banking operations, which include its asset management operations, and Fortis insurance operations contributed 72% and 33%, respectively, to the net profit for 2006. The general segment (which consists of group treasury and finance and other holding activities) reduced net operating profit by 5% in 2006.

The diagram below summarises the legal structure of Fortis as of September 30, 2007.



Information about Fortis SA/NV and Fortis N.V.

Overview

Fortis is the market leader in banking and insurance in the Benelux — one of Europe's wealthiest areas.[21] Building on that leadership, Fortis has developed an extensive European footprint in the retail banking market, operating through a variety of distribution channels. Fortis offers skill-oriented financial services to companies, institutional clients and high net worth individuals and provides integrated solutions to the enterprise and the entrepreneur. Fortis unique expertise has made it a regional and in some cases global leader in niche markets, such as energy in North America and fund administration, commodities and transportation worldwide. Fortis successfully combines its banking and insurance skills in growth markets in Europe and Asia.

Fortis ranks among Europe's top 20 financial institutions, with a market capitalisation of EUR 43 billion and total assets of EUR 775 billion at year-end 2006.[22] With excellent solvency, a presence in over 50 countries and a dedicated, professional workforce of 57,000 employees, Fortis combines global strength with local flexibility.

[21] Source: Assuralia (http://www.assuralia.be, section: cijfergegevens/chiffres utiles), year 2005 and Assurantie Magazine (AM *Jaarboek* 2006 based on DNB numbers) based on premium income 2005.

[22] Source: Bloomberg December 31, 2006.

The below listed ratings have been confirmed by Fitch Ratings, Moody's and Standard & Poor's immediately after the announcement of the terms of the ABN AMRO Offer on July 16, 2007, and are still current at the date of publication of this Prospectus.

	Long-Term Debt	Short-Term Debt
Fitch Ratings	AA−	F1+
Moody's	Aa3	P-1
Standard & Poor's	A+	A-1

Fortis intends to continue growing in Europe, with the enlarged European Union as its home market and with selective expansion in Asia and North America. Fortis therefore wants to become a fully-integrated financial service provider, building on its two profitable core competencies, banking and insurance, and gaining an excellent strategic position with satisfactory critical mass in each business. This will be achieved by means of a combination of organic growth, acquisitions and strategic partnerships.

To realise its ambitions, Fortis has opted expressly for accelerated growth, although in conjunction with strict cost control.

For 2004-2011, this translates into the following long-term financial targets:

- Compound annual growth rate (CAGR) of net profit per share of at least 15%; this corresponds to a 12% CAGR based on the 2006 cycle-neutral profit base[23] of EUR 3.8 billion;
- Return on Equity of 18.5% and Risk-Adjusted Return on Risk-Adjusted Capital (RARORAC) of 18.5% (compared to the previous target of 15%);
- Average operating leverage[24] of at least 250 basis points;
- 30% of net profit to come from outside Benelux by 2009 (21% in 2006); and
- Cash dividend at least stable or growing in line with long-term EPS growth.

History and strategic direction

Fortis was created in 1990 when the activities of AG Group (the predecessor of Fortis SA/NV), a large Belgian insurer, and AMEV/VSB (the predecessor of Fortis N.V.) combined their respective operations. AMEV, a large Dutch insurer and VSB, a medium-sized Dutch savings bank, merged earlier that year. At the time of the merger, AG Group held a strong position in the Belgian insurance market and was a market leader in various sectors but had a fairly restricted international presence and only minimal banking interests, while AMEV held a relatively strong position in the Dutch insurance market and enjoyed a fairly strong international insurance position. VSB held a strong position in the Dutch retail market, but lacked a nationwide distribution network. The parent companies, Fortis AG (now Fortis SA/ NV) and Fortis AMEV (now Fortis N.V.), remained separate legal entities. Since the merger, the operating businesses of Fortis have been managed together. Fortis is not a legal entity but collectively refers to Fortis SA/NV and Fortis N.V. and the group of companies owned and/or controlled by Fortis SA/NV and Fortis N.V. Since its formation, Fortis has grown significantly through both organic development and acquisitions.

The positive results in 2005 and 2006, combined with its new organizational structure, gave Fortis the confidence to reaffirm and accelerate its strategy of becoming a leading European provider of high-quality financial services, with a strong customer focus, pursuing growth in Europe and selectively in Asia and North America.

Fortis strategy will now be focused on the following three growth levers: Perform, Grow and Expand.

(i) *Perform:* in its established markets and segments, Fortis will seek to protect and strengthen its leadership positions, building scale and client relevance, increasing cross-selling and enhancing efficiency. Revenue and cost synergies, increased return on the investment portfolio, positive effects from the new Insurance and Merchant & Private Banking businesses, and Fortis-wide cost management is expected to result

[23] The 2006 cycle-neutral profit base corresponds to the 2006 net profit of EUR 4.35 billion adjusted to EUR 3.8 billion by substituting impairments on loans by their expected loss and adjusting the treasury and financial markets income at Merchant Banking to EUR 900 million, due to exceptional gains in trading and private equity.

[24] Operating leverage is defined as the difference between the percentage growth in total revenues, prior to changes in provisions, and in total expenses.

in additional net profit growth. Management believes this lever could generate two-thirds of total net profit growth by 2011.

Perform builds on the enhanced operating model: Fortis will strengthen its positions in established markets.

- Retail Banking is introducing a more differentiated cross-border distribution organization focused on three client segments: Mass Retail, Affluent and Professionals & Small Enterprises. It is planning to invest EUR 350 million in a harmonised cross-border core banking platform and will seek to raise customer satisfaction through services tailored to each segment.

- The new Merchant & Private Banking organization will optimise client service and streamline international expansion through coordination among business lines, resulting in integration synergies. Continued investment in IT, recruitment and development will be aimed at reinforcing market leadership in the Benelux and in specific sectors like shipping and commodities.

- Insurance is building a new, strengthened organization, including new common functions to ensure the sharing of best practices and implementation of a single insurance strategy. Strategic initiatives will be developed across the core regions (Belgium, The Netherlands, Europe and Asia) in order to leverage skills globally, while creating scale locally. Further investments will be made in multi-channel distribution, product/market innovation, operational excellence and enhanced service levels.

(ii) *Grow:* invest in growth engines (i.e. selected core competencies) to enter new markets, launch new business activities and unlock new value chains. The target for these activities is a compound annual growth rate of at least 15% for the period 2006 — 2011.

This lever entails propelling our growth rate to a higher level and is expected to contribute one-third of total organic growth to 2011. Businesses will roll out proven models to new markets and segments.

- Retail Banking, for example, will expand its Personal Banking and Banking for Professionals & Small Enterprises in Poland and Turkey. Further investments will be made in the continued international expansion of consumer finance, primarily in Turkey, Poland and Germany, and in the roll-out of the postal banking model in Ireland and selective new markets. Finally, in asset gathering, Fortis Investments will seek to further enhance its product offering and expand geographically (including Turkey, South Korea, Japan and Indonesia).

- Acceleration in Merchant & Private Banking is expected to come from building scale in selected countries, such as Turkey and France, seizing market opportunities in Poland and rolling out Merchant & Private Banking capabilities in Asia. The business will compete as a global integrated player in the Energy, Commodities & Transportation sectors and will aim to capture opportunities in structured capital markets products and in Clearing, Funds & Custody. It will also leverage the "Enterprise & Entrepreneur" model (i.e. offering an integrated range of solutions to entrepreneurs, addressing both their corporate/management needs and their needs as individuals) by extending the Private Banking offer to corporate clients.

- Insurance, which in 2006 entered five new markets (Germany, Ukraine, Russia, Turkey and India), will leverage its extensive knowledge of insurance products and distribution models. This will be done in a number of ways, including expanding the bancassurance model and, in The Netherlands, combining the strengthened broker distribution with the extension of other distribution channels. Insurance will also plan to transfer innovative products and proven concepts, such as the Portuguese unit-linked proposition, Belgian multi-product solutions and UK affinity success, to other markets. In Asia, finally, the business is expected to build on strong forecast regional growth to further expand its product portfolio and distribution channels.

(iii) *Expand:* continue to pursue external growth by making further selective add-on acquisitions, within strict investment criteria. Acquisitions should fit from a strategic, resource and financial point of view.

Fortis is frequently presented with acquisition opportunities which it considers from time to time. Before making an acquisition, Fortis will consider its overall financial targets, as well as other factors such as return on investment and strategic fit. As a result, Fortis may decide to pursue an acquisition at any time if the right opportunities are available.

Investments

The major and material investments made by Fortis in 2007 (other than the ABN AMRO Businesses which are discussed under "*Information About the Acquisition of ABN AMRO — The ABN AMRO Businesses*"), 2006, 2005 and 2004 are reported below.

(i) Pacific Century Insurance

On May 25, 2007, Fortis announced that it finalised the acquisition of 50.45% of the share capital of Pacific Century Insurance Holdings Limited ("**PCI**", a listed Hong Kong Life insurer) for a total consideration of EUR 341 million (HKD 3.5 billion).

On May 21, 2007 Fortis commenced a mandatory general offer to acquire the remaining shares and options of PCI; as a result of such mandatory general offer (which closed on June 11, 2007), Fortis acquired 98.59% of the shares and options of PCI. Following the completion of the offer PCI was renamed Fortis Insurance Company Asia ("**FICA**"). The combined acquisition cost for such shares and options totalled EUR 660 million (HKD 7 billion).

Fortis considers FICA as a strong platform to become a leading player in the Hong Kong insurance market and to build upon the model Fortis has developed in Asia through its partnerships in China, Malaysia, Thailand and more recently India. FICA has more than 280 employees and over 2000 tied agents, the fifth largest agency sales force in Hong Kong.

Based on the provisional calculation, VOBA amounts to EUR 262 million and the goodwill to EUR 266 million as reflected in the Fortis interim financial statements.

(ii) Dominet

On March 22, 2007, Fortis completed the acquisition of 100% of the shares of Dominet SA, the parent company of Dominet Bank SA, a full-service retail bank with 869 employees and a nation-wide branch network in Poland for a purchase price of EUR 241 million. Dominet occupies a strong position in the car finance segment and has a fast-growing portfolio of cash loans. Dominet also supplies other banking products to retail customers. The goodwill was EUR 222 million at the acquisition date and is reflected in the Fortis financial statements.

(iii) Fortis Energy Marketing & Trading and FB Energy Canada, Corp.

Fortis completed the acquisition of Cinergy Marketing & Trading, and Cinergy Canada, Inc., from Duke Energy early October 2006. Fortis renamed the new trading entities to Fortis Energy Marketing & Trading (FEMT) in the U.S. and FB Energy Canada, Corp. (FBECC) in Canada.

FEMT's and FBECC's power and natural gas trading activities are organized into regional desks across the USA and Canada. FEMT and FBECC employ 200 people, in their Houston based headquarters and 25 people in Calgary. FEMT and FBECC results are reported within the Merchant Banking segment.

The purchase price was EUR 356 million (USD 451 million), which includes the base purchase price and the value of the current trading portfolio. The amount of goodwill recognized amounted to EUR 138 million.

(iv) Cadogan

On November 10, 2006, Fortis Investment Management, Inc. and Cadogan Management, LLC announced that they had entered into an agreement to combine their respective Fund of Hedge Funds activities into a new stand-alone asset management company. The new business trades under the name 'Cadogan', with Fortis Investments as the majority shareholder, holding 70% of the shares. The acquisition was completed at the end of December 2006. Cadogan results are reported within the Retail Banking segment.

The purchase price was EUR 119 million (USD 157 million) and the goodwill amounted to EUR 116 million.

(v) Disbank

On July 4, 2005 Fortis acquired 89.4% of the shares of Disbank, the seventh largest bank in Turkey with some 173 branches throughout the country. Disbank is active in the fields of retail banking and commercial and private banking and serves over one million customers. Disbank was renamed Fortis Bank AS.

On September 23, 2005, Fortis made a public offer on all outstanding shares of Disbank quoted on the exchange of Istanbul. At year end 2005, Fortis interest in Disbank came to 93.3% of the share capital of Disbank.

Recognized in the balance sheet upon acquisition and included in the goodwill and other intangible assets are EUR 333 million for goodwill and EUR 49 million for the credit card business of Disbank.

The acquisition price amounted to EUR 919 million and was settled in cash.

(vi) Millenniumbcp Fortis

In the first quarter of 2005, Fortis completed the acquisition of a controlling interest of 51% in Millenniumbcp Fortis. The remaining 49% of the share capital is owned by Banco Commercial de Portugal (BCP). Millenniumbcp Fortis is a Portuguese insurance company that sells insurance policies via the branch network of BCP.

Goodwill and other intangible assets include an amount of EUR 182 million for goodwill and an amount of EUR 528 million for value of business acquired (VOBA). The acquisition was settled in cash.

(vii) Other

	Quarter of Acquisition	Acquisition Amount	Percentage Acquired	Capitalised Intangible Assets	Goodwill/ (Negative Goodwill)	Segment
			(EUR million, except %)			
Acquired company						
Muang Thai	Q2 2004	61	40%	3	30	Insurance International
Centrapriv	Q4 2004	38	100%	0	26	C&P Banking
Fortis Lease SPA	Q1 2005	52	100%	23	5	C&P Banking
Able Brookers	Q3 2005	27	100%	3	21	Insurance International
Atradius	Q4 2005	64	100%	0	36	C&P Banking
Dryden	Q4 2005	79	100%	7	(17)	C&P Banking
Dreieck Industrie Leasing AG	Q1 2006	64	100%	29	4	C&P Banking
O'Connor & Company	Q1 2006	58	100%	0	14	Merchant Banking
Von Essen KG Bankgesellschaft	Q1 2006	93	100%	3	31	Retail Banking

The intangible assets and the goodwill (negative goodwill) presented above are the initial amounts, converted to euros and taking into account changes that were necessary because the accounting for a business combination was only determined provisionally by the end of the period in which the combination was effected, but excluding subsequent changes due to net exchange differences and other changes.

The acquisitions did not have a substantial impact on Fortis financial position and performance.

Disposals

On July 12, 2007, Fortis and "la Caixa" announced that they agreed that "la Caixa" would acquire all Fortis' interests in the Spanish bancassurance joint venture CaiFor for a total cash consideration of EUR 980 million. The transaction was completed on November 13, 2007. In accordance with IFRS 5 Non-current Assets held for Sale and Discontinued Operations, Fortis' investment in CaiFor is presented as a discontinued operation as of June 30, 2007. Fortis presents the post-tax results of discontinued operations separately from continuing operations in its income statement under the item Net gain (loss) on discontinued operations. Prior period results are reported in line with this presentation. The participation in CaiFor is reported on Fortis' balance sheet under the item Investments in Associates and Joint Ventures and amounts to EUR 9 million at June 30, 2007 (EUR 7 million at December 31, 2006).

Intellectual property rights

FORTIS® is a registered trademark in the name of Fortis SA/NV and Fortis N.V. FORTIS BANK® is a registered trademark in the name of Fortis SA/NV and Fortis N.V. The companies belonging to the Fortis Group also use a logo which is registered as a trademark in the name of Fortis SA/NV and Fortis N.V.

Business overview

Principal activities

Fortis is an international provider of banking and insurance services to personal, business and institutional customers. The company delivers a comprehensive package of financial products and services through its own distribution channels and via intermediaries and other partners. Fortis operates in geographical areas that are subject to different rates of profitability, opportunities for growth, future prospects and risk. The primary format for reporting segment information is based on business segments. Fortis core activities are banking and insurance.

Prior to January 1, 2007, Fortis organized its banking and insurance activities in six business lines. Within Banking, the business lines were Retail Banking, Commercial & Private Banking and Merchant Banking. Within Insurance the business lines were Insurance Belgium, Insurance Netherlands and Insurance International. Each business line was headed by a member of the Executive Committee.

As of January 1, 2007, Fortis has reorganized its activities into three core businesses:

- *Retail Banking:* provides financial services to individuals, professionals and small businesses;
- *Merchant & Private Banking:* offers tailored financial products and skill-oriented services to large international companies and institutions, to Europe-oriented medium-sized enterprises and entrepreneurs, and to private banking clients; and
- *Insurance:* provides life and non-life products in our home markets of Belgium and The Netherlands and in selected European and Asian markets.

Fortis businesses are supported by the following support functions:

- Group Resources, including Technology, Operations & Process Services (TOPS), Human Resources, Facilities and Purchasing;
- Finance, including Performance Management, Consolidation & Accounting, Group Development & Acquisitions, Tax and Reporting, Ratings, Structuring & Capital Management;
- Strategy, including Strategy, Investor Relations, Global Branding & Communications, Public Affairs, CSR and Fortis Investments;
- Risk, including Risk, Legal, Compliance, Investigations and Customer & Management Processes. A key objective is to enhance risk strategies and further develop the risk function across Fortis. It will also drive the businesses and support functions to improve quality of processes.
- Investment, including Asset & Liability Management (ALM), which has been established to enhance Fortis-wide synergies in this area and to optimise return on assets.

As per Fortis management structure, each core business and support function is managed by a member of the Executive Committee.

Segment reporting

Fortis is as of January 1, 2007 organized on a worldwide basis into three businesses, further subdivided into business segments as described below:

Retail Banking

Overview

The mission of Retail Banking is to become and remain the preferred "customer" bank for individuals, professionals and small enterprises in the market segments where it is active through a differentiated customer approach, offering a full range of financial products and services delivered through multiple distribution channels. Retail Banking is currently active in nine countries, with Belgium, The Netherlands and Luxembourg as home markets. Outside of the Benelux, Retail Banking is active in Poland as a niche bank providing services to professionals, business owners and executives. In 2005, Retail Banking acquired key assets in Turkey and Germany and during 2006 continued its expansion in Poland and Ireland as more fully described below.

As of December 31, 2006 Retail Banking had over 17,000 employees and contributed 25% of Fortis net profit. In addition, Retail Banking provided financial services to more than six million customers via a range of distribution channels: more than 1,600 branches and 2,500 Selfbank terminals and ATMs, online banking, telephone banking, third party distribution networks and 25 credit shops.

In pursuit of its goal of becoming the preferred bank for retail customers, Retail Banking continuously aligns its services and commercial organization with the needs and expectations of its customers, putting customers firmly at the heart of its service model and culture. Retail Banking is evolving towards a true cross-border distribution organization with a segmented customer approach. This revamped customer approach towards Mass Retail, Affluent and Professionals & Small Businesses (P&S) is expected to allow for a greater offer differentiation per segment while targeting the best in class cost/income ratio. Focusing on these three customer segments with their own specific needs and serving them with a tailored value proposition is expected to raise customer satisfaction and sustain a profitable growth track.

Strategy

Retail Banking is building on two waves of growth, the strengthening of its leadership position in Belgium and the international roll out of proven models.[25] In mature and wealthy markets like the Benelux, Retail Banking will continue to focus on its customers by differentiating between segments, selectively deepening relationships and offering integrated, multi-channel accessibility. At the same time, it will roll out proven models to continue its growth path in developing markets. More specifically, Retail Banking has identified five growth engines to be rolled out internationally, relating to targeted segments and distribution, including Affluent Banking, P&S banking, Mass Retail through Consumer Finance, the postal banking model and Asset Gathering through Fortis Investments.

Key strategic goals

- Improve customer satisfaction by a differentiated service approach;
- Strengthen leadership position in Belgium;
- International rollout of proven models to expand European presence.

European presence

Retail Banking has a leadership position in the Benelux,[26] one of Europe's wealthiest areas. It is the second-largest bank in terms of retail financial services,[27] and is a very large credit card issuer, with 3 million credit card holders in the Benelux. This presence will be further expanded through the acquisition of the ABN AMRO Businesses.

As customer convenience is key for Fortis, Retail Banking continuously invests in its distribution network.

Belgium

Retail Banking Belgium offers banking and insurance services to individuals, professionals and small enterprises through an integrated bancassurance model supported by multi-channel distribution. As of December 31, 2006, Retail Banking Belgium had 1,092 branches, many of which have been upgraded and their opening hours extended. Additionally, at strategic and frequented places throughout Belgium, Retail Banking is installing a network of Cash Points. Under a Fortis branding, these additional sales points offer customers cash withdrawal and transfer services, compensating for the decreasing number of ATMs. Fortis state of the art online banking system has been upgraded and as of December 31, 2006 was actively being used by approximately 1.2 million customers (a 20% increase compared to year-end 2005).

To better serve the customers in the Affluent and P&S segment and building on the efforts of the past two years, Retail Banking intends to hire more than 100 Affluent advisers and an additional 100 Professional advisers in 2007.

In addition to the Fortis labelled network, Fortis Bank products are sold through 340 independent agents operating under the Fintro brand.

Banque de la Poste/Bank van de Post, a 50/50 joint venture with the Belgian Post Office, has 1.3 million customers and distributes Fortis Bank products through approximately 1,300 post offices giving Fortis Bank access to the third largest distribution network in Belgium based on number of outlets.

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[25] Source: *De Tijd* (Belgian newspaper), 2006 based on saving deposits.

[26] Source: The Banker, July 2007, based on total assets 2006.

[27] Source: ING broker report: Benelux banks — Chocolate and tulips, October 2006, based on a mix of selected products: mortgages, number of consumers, saving accounts, corporate loans, life insurance, non-life premiums, mutual funds and number of branches.

Netherlands

Retail Banking Netherlands offers banking and insurance services to the retail customer segment in The Netherlands, focusing on the mortgage and small business market.

In 2006, Direktbank, a mortgage bank, enjoyed positive results in the sale of mortgages through the intermediary network, and this resulted in an increase in its market share.

In its proprietary network, Retail Banking expanded its DirectService concept to the majority of its 159 branches. This "open concept" is based on the idea that the bank should stimulate qualitative "traffic" in the branch combining cross-channel facilities, convenience and personalised value added advice to customers. The DirectService concept consists of user-friendly multifunctional machines with Customer Service Representatives, as well as dedicated staff who are able to advise customers who have more complex needs.

Luxembourg

Retail Banking Luxembourg offers banking and insurance services to the retail customer segment in Luxembourg. EU fiscal harmonisation had a limited impact in 2005, due to Retail Luxembourg's innovative alternative product offering. Since November 2005, the Luxembourg business is conducted under the Fortis brand. Retail Banking Luxembourg is one of the Grand Duchy's leading banks, with a network of 37 branches. In addition to its branch network, Fortis online banking service, Web Banking, enables customers to carry out standard transactions over the internet.

Turkey

In Turkey, Retail Banking offers banking and insurance services to the retail customer segment through 211 branches, all operating under the Fortis brand since November 2005. In 2006, 40 new branches were opened and an ambitious branch expansion program is in place for the next five years.

Poland

In Poland, Retail Banking is focusing on the development of the Personal Banking model. Personal banking is seeking to leverage the contacts from the P&S clients and vice versa. Additionally, through the acquisition of Dominet Bank, Retail Banking gained access to the ninth largest branch franchise in Poland (176 branches) and to an important car dealer distribution network where it can sell its car insurance and financing products.

Ireland

Through the recently announced joint venture with An Post in Ireland, Retail Banking made an important step in extending its multi-channel network throughout Europe. Using Fortis international experience and expertise in bancassurance, in particular with the Belgian Banque de la Poste, the new bank in Ireland will offer daily banking, savings products, insurance, mortgages and credit cards. These services will be rolled out gradually in the course of 2007 and will include telephone and internet banking in addition to the distribution network of 2,800 PostPoint agents and 1,400 post office branches.

Consumer Finance

Consumer Finance focuses on the distribution of credit cards and consumer loans and is currently active in eight countries. It is the first credit card issuer in the Benelux, leveraging its Dutch International Card Service (ICS) experience. In the past two years, Consumer Finance significantly expanded its European franchise through the acquisition of Von Essen KG Bankgesellschaft in Germany in the first quarter of 2006 of 2005 and the recently acquired Dominet Bank in Poland (March 2007). The acquisition of the ABN AMRO Businesses will strengthen that position.

In addition to this external growth, Consumer Finance is rolling out its innovative credit shop distribution model in Germany and Poland. This alternative network of smaller-sized points of sale, called 'credit4me' in Germany and 'twojkredit' in Poland have the same 'look and feel' concept as retail outlets and offer a variety of credit products. The credit shops provide consumers a wealth of information on consumer finance products and qualified credit advisers assist in personal consultation. The leading principle of this service concept is the idea that obtaining a credit is comparable to buying any other consumer product: easy, fast and reliable. As of December 31, 2006, 25 credit shops were operational.

Products

Fortis provides a comprehensive range of retail banking products and banking solutions to its customer segments. The table below sets forth certain data with respect to the retail banking operations of Fortis for the periods presented.

Retail Banking	At December 31, 2006 Belgium	Netherlands	Luxembourg	Total
	(EUR billion)			
Mortgage loans	23.9	29.1	2.2	56.7
Consumer loans	1.9	0.5	0.8	7.1
Commercial loans	9.7	1.5	1.1	14.6
Other retail loans	0.1	0.0	0.0	0.3
Total	**35.6**	**31.1**	**4.3**	**78.7**
Demand deposits	11.8	5.3	3.2	22.7
Saving deposits	44.5	7.8	1.8	54.5
Time deposits	7.5	0.4	3.9	14.5
Total	**60.7**	**13.5**	**8.9**	**91.7**

Retail Banking	At December 31, 2005 Belgium	Netherlands	Luxembourg	Total
	(EUR billion)			
Mortgage loans	21.8	25.1	1.7	49.3
Consumer loans	1.8	0.9	0.9	6.0
Commercial loans	8.6	1.2	1.1	12.3
Other retail loans	(0.2)	(0.1)	0.1	(0.6)
Total	**32.0**	**27.1**	**3.8**	**67.4**
Demand deposits	12.1	3.8	2.9	20.2
Saving deposits	44.2	9.5	1.9	56.0
Time deposits	4.4	0.5	3.4	8.7
Total	**60.7**	**13.7**	**8.2**	**84.9**

Retail Banking	At December 31, 2004 Belgium	Netherlands	Luxembourg	Total
	(EUR billion)			
Mortgage loans	19.6	19.8	1.6	41.6
Consumer loans	1.7	1.1	0.9	5.0
Commercial loans	8.9	1.1	1.0	12.3
Other retail loans	(0.2)	0.0	0.1	(0.1)
Total	**30.0**	**22.0**	**3.6**	**58.8**
Demand deposits	11.4	2.5	2.6	17.8
Saving deposits	40.9	8.2	2.0	51.1
Time deposits	4.4	1.8	3.7	10.3
Total	**57.0**	**12.5**	**8.3**	**79.7**

Fortis Investments

Fortis Investments is Fortis' asset manager operating through 20 key investment centers in Europe, the United States and Asia. The company is consolidating its position as a leading European asset manager with niche markets in Asia and the United States. It serves a global base of local investors, both institutional customers and distribution partners.

In 2006, funds under management increased significantly to EUR 121 billion, compared to EUR 105 billion in 2005. This increase was driven largely by net new inflows of EUR 9.9 billion, split across institutional and wholesale retail. During 2006, Fortis Investments signed an agreement with CIT Finance Investment Bank to establish a Russian asset management joint venture, CIT Fortis Investments. The joint venture will service both Russian and international investors, offering a range of domestic and international asset management solutions.

In recognition of ever-increasing demand for fund of hedge fund products across its client base, Fortis Investments enhanced its offering by acquiring a 70% majority stake in Cadogan, a leading U.S. fund of hedge funds platform. The new business, into which Fortis Investments' existing fund of hedge funds activity is integrated, has combined assets under management of USD 3.7 billion. A specialist investment center for Sustainable and Responsible Investments (SRI) was also established in Frankfurt to accommodate the rapidly growing demand for these products. Strong relative and absolute performance in these products resulted in large inflows during the year. In November 2006, Fortis Investments also established an Amsterdam-based fiduciary management capability to supply the full chain of investment services to its client base.

Fortis expects the acquisition of the ABN AMRO Businesses will give it the benefits of a large geographic footprint and enhanced offering to third-party distributors.

	At December 31,		
	2006	**2005[(1)]**	**2004[(1)]**
		(EUR million)	
Funds under management	120,774	105,067	87,056
Group	71,116	66,838	58,942
Third-party	40,661	32,993	25,090
Collateralised Debt Obligations	8,997	5,236	3,024

(1) 2004 and 2005 have been restated to reflect the Collateralised Debt Obligations ("**CDO**") activity on a separate line.

Fortis Investments is structured around 20 specialist investment centers, each focused on one asset class and based in 11 locations worldwide:

- Paris — European equities, emerging markets equities and bonds, Euro-bonds and European convertibles;
- Frankfurt — Sustainable and responsible investments;
- Boston — U.S. and global equities, U.S. fixed income, U.S. balanced funds and structured finance;
- Amsterdam — real estate, balanced funds and Fortis OBAM NV investment fund;
- Luxembourg — funds of funds and balanced funds;
- Brussels — balanced funds and asset allocation;
- London — global fixed income, emerging fixed income and equities and European equities small caps;
- Tokyo — Japanese equities;
- Hong Kong — Asian equities;
- Jakarta — Indonesian balanced funds; and
- Shanghai, through a joint venture with Haitong — Chinese balanced funds.

These centers, supported by a highly experienced team of 236 investment professionals, share their information but are autonomous and fully accountable for their investment performance.

Fortis Investments aims to maintain a diversified customer base and fund mix. Through its distribution partners division, the company focuses on third-party customers such as funds of funds, private banks and other financial institutions that buy funds in order to sell them on to their own clients. The Institutional Division concentrates on customers that buy on their own account, such as pension funds, banks and insurers, companies and not-for-profit organizations.

Sales and client services to both segments are provided through local client relationship teams based in the eleven locations mentioned above as well as Madrid, Milan, Vienna and New York. This organization provides Fortis Investments with first-hand knowledge of local markets and client needs.

Key strategic goals

- Consolidate its leading position in Europe;
- Leverage its extensive product and distribution opportunities;
- Pursue innovation in its product offering;
- Exploit growth potential in Asia.

The acquisition of the ABN AMRO Businesses is entirely in this aim.

Investment Philosophy

Fortis Investments is an active manager who believes that fundamental analysis, utilising proprietary research and quantitative tools, is the best approach to secure consistent, long-term excess returns. The Fortis Investments investment process is research-based and consists of three phases:

- Research — decision preparation through top-down macroeconomic research as well as bottom-up equity/bond research;
- Portfolio Construction — decision making through active management of model portfolios, which are customised along client specific requirements; and
- Risk Assessment and Performance Reporting.

Product Range

Fortis Investments continues to extend and develop its range of products to meet growing client needs and to take advantage of market developments. New segments were added to its range of funds allowing customers to diversify their exposure and to customise the risk profiles of their investments further. Fortis Investments has a broad range of fixed income, equity, balanced, sector and other funds.

Distribution and Client Service

Fortis Investments provides its services to customers by organizing its distribution and client servicing by customer segment and by geographic location within customer segments. In Europe, mutual funds are distributed in Fortis major markets of the Benelux and France using Fortis Bank and insurance distribution channels as well as third parties. Fortis Investments continues to develop distribution agreements with third parties in other European countries, primarily for distribution of the flagship, Fortis L. Fund. For institutional clients, Fortis Investments adopts a direct approach using locally based teams to market services which can be managed via discretionary mandates or other suitable vehicles. Client servicing is also local to ensure close contact with the clients. Fortis Investments' major markets for institutional clients are France, Luxemburg, Belgium and The Netherlands. Institutional clients are made up from, among others, corporate pension plans, endowments, foundations and public funds.

Merchant & Private Banking

Merchant & Private Banking is the combination into one core business unit of Fortis Bank's old business lines: Merchant Banking and Commercial & Private Banking. The new organizational structure became effective as of January 1, 2007. Merchant & Private Banking is organized around (i) core competences and products: Skills; and (ii) customer relations: Clients.

Merchant & Private Banking offers a comprehensive range of banking products and skill-oriented financial services to large international companies and institutional customers, medium sized enterprises and their entrepreneurs-owners and private banking clients. Merchant & Private Banking boasts a strong client franchise in the Benelux and in selected European markets. The solid regional or even global position in many of its products and skills means Fortis is well placed to capture growth.

Overview

Fortis Bank supports its clients in their international growth by advising them and structuring and arranging financial solutions to meet their often complex financial needs. The solutions Fortis offers its customers are based on a variety of activities, including foreign exchange (Forex) trading and derivatives, money and capital markets, cash management, equity and fixed-income investments, business and asset financing, private equity, project finance, structuring, clearing and custody.

In Europe, Merchant & Private Banking is investing in the expansion of its operations in several European countries, including the UK, France, Italy, Germany, Spain, Poland and Turkey. It is also developing its dealing room coverage and selected niche activities, such as shipping finance, export and project finance, trade and commodity finance, and clearing services on a more global scale, in areas such as the United States and Asia.

Merchant & Private Banking seeks to optimise its operational structure and effectively streamline processes with a view to enhancing overall efficiency. Specifically, it will continue to pursue its growth targets by further leveraging its core client relationships, by expanding in selected client and product niches and by increased cross-selling and geographical expansion. At the same time, it will retain its focus on maintaining tight control of risk exposure. Merchant & Private Banking will use three key levers to meet its goal: revenue growth, cost efficiency and risk management.

Merchant & Private Banking continues to invest in global risk management integrating credit, market and operational risk, and its real-time management of credit limits on market transactions allows it to minimise risks and to limit operating costs. In addition, Fortis Bank has developed a Value-at-Risk model that also takes non-linearity of complex derivative products into account. The model is used for internal risk monitoring but also for external solvency reporting. The advanced method of calculating and reporting market risks has resulted in a decrease in the required regulatory capital. Merchant Banking is well prepared for the most advanced approaches of Basel II relating to credit and operational risk capital consumption. In addition, Merchant Banking has developed a Credit Portfolio Management system whereby credit risk is measured and reviewed on a portfolio basis, enabling better control.

In February 2006, Merchant & Private Banking adopted the Equator Principles, guidelines for responsible project financing. In so doing, Fortis Bank joined a group of 40 leading international financial institutions. Fortis applies the principles globally to project finance for all industry sectors.

Strategy

Key strategic goals

- Pursue focused growth by leveraging key client relationships and strong product franchises;
- Exploit opportunities in the United States and Asia by following key clients and leveraging existing expertise;
- Constantly improve sound risk management structure and disciplined cost management;
- Combine product innovation and cross-selling, particularly through cross-selling of products to existing ABN AMRO customers after the ABN AMRO Acquisition;
- Superior customer advice backed by international expertise.

Customer Approach and Product Development

The Merchant & Private Banking organization has enhanced its customer focus by placing an emphasis on developing client knowledge and managing client relationships. All corporate and institutional clients have been segmented according to their particular needs and circumstances. Each significant client has a global relationship manager or client director who oversees the entire client relationship.

In order to provide tailored solutions, client service teams, with specialists from various merchant banking activities, combine and structure a variety of financial products and services to meet the needs of the client. They operate under the coordination of a client director to efficiently provide the variety of resources that are required by the client.

Fortis has continued to invest in the development of innovative products. In addition to currency, equity and interest rate derivatives, Fortis has established a strong and innovative profile in credit derivatives, energy derivatives, inflation swaps and CO_2 emission trading. In 2006, Global Markets realised Fortis first Certified Emission Rights (CEr) transaction. In addition to currently trading in and providing advice on commodities, Fortis has also become a broker on the London Metal Exchange, providing a full range of services in precious metals to its client base and was nominated in 2007 for the third consecutive year for "Best Soft Commodity Finance Bank" by the Trade and Forfaiting Review Magazine. Finally, the acquisition of Cinergy Marketing & Trading (CMT) in Texas has provided Fortis with a platform for physical gas and power trading.

In the securitisation area, Fortis Bank has used its strong European position and reputation to structure and sell a variety of transactions on both its own account and for European customers such as the "Gauguin CDO" which was the first long-short synthetic CDO squared (CDO of CDO's). Another example was the securitisation program for aircraft engine lessor Willis Lease, which was the first securitisation of this kind.

Creating a virtual dealing room has enabled Fortis to optimise its customer services, with a more coordinated product offering, individualised management of customer relationships and preservation of customer contacts with local sales teams and dealing rooms. To this end, it registers and processes all Benelux customer transactions via a single IT platform, which is expected to be gradually extended to other countries. Back offices, risk management and financial control management are administered centrally.

Capitalising on its long-standing relationships with Corporate and Institutional clients, Merchant Banking has set up a coordinated and global sales approach across its various business units. This resulted in continued increase in cross-selling and contributed to the strengthening of its position outside the Benelux

In 2006, Merchant Banking more than tripled its presence in the United States clearing market by acquiring Chicago-based O'Connor & Co., a leading provider of clearing services to the U.S. equity, futures and options markets. Also in 2006, Merchant Banking acquired HFS, the largest Fund Administrator in the British Virgin Islands. These developments reflect Fortis goal of simultaneously providing clients with global reach and with local focus and expertise.

Business segments

Merchant & Private Banking is organized around four client oriented business segments: Commercial Banking; Private Banking; Corporate, Institutional & Public Banking and Energy, Commodities & Transportation and four skills-oriented business segments: Global Markets; Investment Banking; Clearing, Funds & Custody and Specialised Financial Services.

Clients Business Segments

Commercial Banking

Commercial Banking offers business services to medium-sized enterprises with annual sales between EUR 2.5 million and EUR 250 million, with an emphasis on internationally active companies with complex financial needs. In particular, it focuses on businesses seeking multiple banking services, such as leasing, factoring, acquisition finance, trade finance, international credit facilities and international cash management. Due to the specific needs of its customer base, Commercial Banking has developed its "Act as One" strategy for these businesses, enabling them to arrange all their financial services internationally through a single contact — the Global Relationship Manager — who provides specialized, tailored solutions via an integrated European network of Business Centers. As of January 1, 2007, this network consists of 125 dedicated Business Centers in 19 countries covering most of Europe but also China and Turkey. Fortis Bank expanded its network of Business Centers in 2006 by opening seven new Business Centers in the EU (Austria, Hungary and the Czech Republic), two in China and 12 in Turkey. Through this network, Commercial Banking can provide a broad range of services based on its experience within and outside the European market, and its contacts with local networks. This network is being expanded in other regions, which Fortis believes offer strong growth potential at a rate of three new countries and four Business Centers in existing countries per year. Commercial Banking aims to be present in 25 European countries by 2009. Commercial Banking added 8,000 new customers in 2006, mainly through organic growth and looks to further expand in the near future as a result of the acquisition of the ABN AMRO Businesses.

Commercial Banking provides a wide range of financial products and services to its medium-sized enterprises. With these customers, Fortis pursues a relationship banking approach in order to obtain a thorough understanding of a client's business. It then provides financial solutions designed to meet the client's needs. Fortis Bank's product range includes:

- Payment and electronic banking services, treasury services, and cash and liquidity management;
- Trade services such as documentary credits and guarantees;
- Financing products such as working capital financing, medium and long-term financing (including export financing and loan syndication) and asset-backed financing (including leasing, factoring, receivables financing and asset securitisations); and
- Risk management products, covering exchange rate, interest rate, commodity and equity risks;
- Advisory and financial engineering (e.g., Private Equity and Trust).

In addition to the network, online banking facilities are crucial to Fortis Bank's quality of service. Traditional financial products and services geared to the needs of today's corporate management are distributed to all enterprises through Fortis Bank's portal, www.fortisbusiness.com. This portal functions as an information platform not only for existing customers but also for prospective customers. It has a dedicated edition for each country in which Commercial Banking is present, addressing customers in the local language and English. It currently provides access to foreign exchange and money market transactions, trade finance transactions, cash management services and payment services, and commercial finance transactions.

Private Banking

Private Banking aims to be the service provider of choice for high-net-worth and ultra high-net-worth clients, with a broad service offering covering both assets and liabilities, leveraging Fortis' skills and network to provide innovative solutions that are enhanced by the 'best brains in business' concept (i.e. for products not confined to Fortis, active seek for the best in class/best of breed provider for a product). The co-operation with Commercial and Merchant Banking has accelerated the development of dedicated international services for "enterprise and entrepreneur". These efforts have been recognized by clients and the Private Banking industry, and Fortis won the award for 'Outstanding Business Private Bank for 2006' (Private Banker International). The acquisition of the ABN AMRO Businesses will increase this strong market position.

The ambition of Fortis Private Banking is to service its high-net-worth clients worldwide throughout the different stages of their lives and in any economic environment. At the heart of Private Banking's distinctive business philosophy is a client-needs based approach. As an international provider of Wealth Management Services, Private Banking focuses on establishing long-term relationships built on an in-depth understanding of each client's needs and goals.

The assets under management as at December 31, 2006 amounted to EUR 78.9 billion.

In January 2007, Euromoney ranked Fortis Private Banking fifteenth among the best global private banks. Fortis Private Banking also won the title of "Best Relationship Management" in The Netherlands and "Best Philanthropy services" in a number of countries, including Belgium, for philanthropy services.

During 2006 Private Banking started operations in Turkey and Poland, while the acquisition of Dryden expanded Fortis presence in the UK (the largest European private banking market), Taiwan and Monaco.

Corporate & Institutional & Public Banking

Corporate & Institutional & Public Banking is responsible for the global relationship management of corporate, banking and institutional clients. It serves large enterprises in their financing needs from pure lending to the most sophisticated financial structures and leveraged financing. It also offers specialized services to the public sector and non-commercial customers, where it targets federal, regional and local authorities and public sector entities and district and public welfare centres and cities in Belgium and The Netherlands.

Corporate & Institutional Banking offers large international companies an extensive range of financial products and services.

The Corporate Finance and Capital Markets unit specializes in investment banking advisory services to companies. It is active in mergers and acquisitions, initial public offerings and secondary offerings and structuring. Fortis Bank advises companies, public authorities and institutions on capital market transactions and is one of the leading companies in the field of mergers and acquisitions in the Benelux.

Energy, Commodities & Transportation

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

Skills Business Segments

Global Markets

Global Markets provides services to institutions and large and medium-sized enterprises and performs a wide range of trading, sales and research activities.

Its customer-based activities are organized into specialized business units operating in the foreign exchange and money markets, fixed-income securities and derivatives, credit derivatives, securities financing, equities and equity derivatives as well as commodities and energy derivatives. Services are provided through trading, sales and research desks.

Fortis Bank's trading rooms in the major financial centres provide clients with 24-hour coverage and execution. Furthermore, customers have direct access to the trading room via the Merchant Banking client portal that allows them to trade currency and money market products on-line in a secure environment. They can also view their entire portfolio of trades with Fortis Bank in all financial products.

Merchant Banking participates in the development of a European benchmark credit default model for unlisted companies. Fortis Bank operates a rating advisory desk to assist corporate customers in negotiations with rating agencies and to enable these companies to attract new sources of finance and expand the investment alternatives for institutional investors.

Clearing, Funds & Custody

Clearing Funds & Custody offers integrated services to institutional investors, banks, mainstream and alternative fund managers, and professional traders. Its main activities comprise a combination of transaction processing, financial logistics, risk management, portfolio financing and asset optimisation. In practice, this means that Global Securities & Funds Solutions offers services in the areas of custody, cash and derivatives clearing, securities financing and administration for on- and offshore investment funds.

Investment banking

Investment Banking offers a wide variety of financial services, including corporate finance, structure finance and private equity. It provides integrated financial solutions in the fields of export and project finance, acquisition and leveraged finance and real estate finance.

Private Equity provides venture capital and private equity to small and medium-sized enterprises for management buy-outs and corporate restructuring. Capital is contributed both directly, through shareholdings in companies, and indirectly through investments in private equity funds or fund-of-funds in order to have a broadly diversified portfolio.

Private Equity manages all the Private Equity assets of Fortis Bank. Total assets under management at December 31, 2006 exceeded EUR 1.4 billion.

It provides venture, development, buy-out capital and mezzanine finance to a broad spectrum of companies in both traditional and innovative sectors.

Private Equity operates via dedicated local teams focusing on direct investments. Complementary to these direct investments, it manages a diversified funds-portfolio, made up of top quartile fund relationships over Europe, the United States and Asia.

Structured Finance offers structured finance products and adds value by offering innovative and tailored solutions.

Specialised Financial Services

Specialised Financial Services (SFS) consists of leasing, commercial finance, global trade services, trust and corporate services and Global Cash Management. Each of these product lines and services are managed by separate entities with different internal and external distribution channels and client bases. A description of each Specialised Financial Service is provided below.

Fortis Lease specializes in leasing investment products such as vehicles, machinery, forklift trucks, IT equipment and real estate. Fortis Lease Group currently operates in Belgium, The Netherlands, Luxembourg, France, Spain, Portugal, the United Kingdom, Germany, Italy, Poland, Switzerland, Hungary, Turkey, the Czech Republic, Romania, Norway, Denmark, Finland, Sweden, Malaysia, Singapore and Hong Kong. Through its product expertise, knowledge of the international leasing market and international presence, Fortis Lease believes it is able to meet the growing demand of its customers for European solutions. With leasing assets of EUR 11 billion at December 31, 2006, Fortis Lease Group ranks number 11 of leasing companies in Europe and is among the top four for those with European coverage.[28]

The objective of Fortis Lease is to consolidate and strengthen its position within the top European cross-border leasing companies, and to implement a European Vendor Leasing Business to support its continuous growth. During 2007, Fortis Lease plans to start its activities in Asia and will search for opportunities to expand in the United States.

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[28] Source: European Federation of Leasing Company Associations 2005, based on total new business within Europe http://www.leaseeurope.org/pages/studies — and — statements.

During 2006, Fortis Lease acquired five new companies, pursuing its strategy of setting up an international network in the leasing sector. The first acquisition was Dreieck Industrie Leasing, a leading Swiss leasing company specialising in asset-backed financing solutions. It was followed by the acquisition of Captive Finance, specialized in vendor lease financing in the technology sector.

It gave Fortis Lease access to the leasing market in Malaysia, Singapore, Hong Kong, Norway, Denmark, Finland and Sweden. The Hungarian market was accessed through the acquisition of Innotrade Leasing Rt. and Takleasing Rt. in February 2006. Lastly, at the end of 2006, Fortis Lease acquired Global, a Romanian leasing specialist.

Fortis Commercial Finance (FCF) is active as a factoring company in 15 countries and is the fifth largest factor in Europe based on volume in 2006.[29] The acquisition of Atradius Factoring reinforced FCF's presence in Denmark, Sweden, France, Italy and Germany. A new back-office service provider, Finodis, was set up, offering outsourcing solutions for corporate credit management, factoring and commercial finance. In September 2006, FCF acquired "4 Faktor", a Polish factor company. FCF is linked to a worldwide network of 180 factoring companies, present in 65 countries. FCF distinguishes itself from its competition by offering pan-European multi-local solutions and Fortis branded credit cover services. FCF also offers a "factoring factory" (Finodis), a back-office utility aimed at servicing present and future FCF companies and large clients who have decided to outsource their accounts receivable and credit management.

Management believes that FCF's consolidated structure offers several competitive advantages. One advantage is that Fortis Commercial Finance can satisfy factoring needs internationally, i.e. the export factor in one's own country. Another advantage is the ability to offer customers across national borders services from the Fortis Commercial Finance group operating consistently and with common systems.

Fortis believes that the internationalisation of its factoring business offers adds value for Fortis clientele.

In addition to European integration, Fortis Commercial Finance is also expanding into credit management, account receivables managements, and financing of commerce. Current developments in e-business and new services areas within the Internet environment complement the internationalisation of Fortis Commercial Finance. As part of its growth strategy, FCF regularly considers acquisition opportunities and joint venturing solutions in a number of European countries.

The **Global Trade Services (GTS)** division of Fortis Bank helps customers to meet payment and delivery risk, an essential role in both import and export transactions. To this end, it offers a variety of risk-mitigating products including letters of credit, collections and international guarantees and provides support in developing special payment techniques.

Today most of GTS operations are centralised in the European Documentary Credits and Collections Centre, giving customers direct access to back-office systems through the Click n' Trade on-line application.

Fortis Intertrust, is a worldwide leader in Trust and Corporate Services, employing over 1,200 people and present in more than 20 countries: Belgium, China, Denmark, Isle of Man, Ireland, Italy, The Netherlands, The Netherlands Antilles, Liechtenstein, Luxembourg, France, Russia, the United Kingdom, Spain, Sweden, Switzerland, Turkey, the United States, Dubai, Poland, and Singapore.

Fortis Intertrust is able to provide cross-border structuring solutions to private individuals and corporate clients. Fortis Intertrust often has a spearheading function entering new markets, such as China, Russia and Turkey, or developing highly sophisticated new products and services, such as Corporate Governance, Carbon Management Trading and Yacht Management services.

Fortis Intertrust set up offices in Russia, Poland and Dubai (UAE) and launched new services such as Yacht and Aircraft Solutions in cooperation with Fortis Lease. Global Trade Services established a presence in the majority of the Business Centers and continued centralising back-office activities to further boost efficiency. The new Dubai office offers wealth management services in the Middle East and Southeast Asia.

Global Cash Management (GCM) division of Fortis Bank assists customers with accounts, payments and cash management services. Cash management is the day to day management of a company's current accounts, payments and collections and liquidity and therefore is an important corner stone in delivering Specialised Financial Services for all steps in the financial supply chain of Fortis' clients, together with the other Specialised Financial Services skills.

[29] Source: FCI Statistics (Factors Chain International)/Business Money UK/Deutscher Factoring (2006).

Insurance

Fortis is a prominent player in Europe's insurance market, and is among the top ten European insurers based on gross earned premiums.[30] Fortis benefits from market leadership in the Benelux where it offers a comprehensive range of life and non-life insurance products and strong positions in the bancassurance and broker channels. Fortis Insurance leverages its existing skills in distribution, operations and products from its home markets in the Benelux and has established leading positions in selected European and Asian markets.

Strategy

Fortis Insurance aims to create revenue synergies by leveraging proven skills across borders and across businesses. At the same time, it wants to achieve economies of scale in local markets and share best practices within the organization. To this end, all the insurance businesses have been brought under the leadership of one Chief Executive Officer and an organizational structure was created to support the sharing of best practices, skills and expertise across borders.

The strategy of Fortis Insurance involves alignment of local business strategies with several key strategic levers to 'fortify' growth and is centred on around products/market innovation, multi-channel distribution, operational excellence international expansion and an organization equipped to foresee developments in the insurance industry.

The objective is to get closer to the end-customer and in doing so to improve Fortis Insurance's competitive position. Fortis Insurance will use its brand and varied distribution expertise to focus on a multi-channel approach. The strategy may differ between existing markets, depending on the local situation, and new markets, in which a true multi-channel strategy has yet to be established.

Fortis is implementing a single organization to support and accelerate the growth of Fortis Insurance.

The key strategic levers are:

- Multi-channel distribution (Brokers/IFA's, Bancassurance, Direct, Agents and Affinity);
- Product/market innovation (end-customer focus, exchange and roll-out of proven products across countries and shared innovation);
- Operational excellence (enhance service levels, lower cost to serve, leverage platforms, optimise local character and lean operation);
- International expansion (selectively expands to new product/markets in Europe/Asia, roll-out JV management/reinforce involvement).

This enhanced strategy aims at increasing the profit potential of Fortis insurance business.

The following table shows the contribution of the business lines within Fortis Insurance to Fortis insurance results as a whole for the year ended December 31, 2006.

	Year Ended December 31, 2006			
	Insurance Belgium	Insurance Netherlands	Insurance International	Total Insurance(1)
	(EUR million)			
Result before taxation	698	810	343	1,851
Gross earned life premiums	4,353	3,437	1,357	9,147
Gross earned non-life premiums	1,253	1,944	1,739	4,936
Gross earned inflows	6,727	5,381	4,953	17,061
Total assets	51,772	40,451	23,327	114,927

(1) Total Insurance, including consolidation eliminations.

[30] Source: Assuralia (http://www.assuralia.be, section: cijfergegevens/chiffres utiles), year 2005 and Assurantie Magazine (AM *Jaarboek* 2006 based on DNB numbers) based on premium income 2005.

Insurance Belgium

Overview

In July 2006, Fortis AG and FB Insurance, two Belgian Fortis insurance companies, merged into one single company, resulting in the largest insurance company in Belgium: Fortis Insurance Belgium (FIB).[31] FIB operates through three distribution channels:

- The Bank Channel distributes retail life and non-life products, primarily to individuals and small companies, exclusively through the branch networks of Fortis Bank and Banque de La Poste/Bank van De Post;

- The Broker Channel distributes retail life and non-life products through independent intermediaries; and

- The Employee Benefits & Health Care (EB&HC) Channel provides group life, pension and healthcare insurance solutions to large enterprises both directly and through large and international brokers and consultants.

Since the merger of Fortis AG and FB Insurance into the single legal entity Fortis Insurance Belgium (FIB), the integration process has progressed steadily, and a shared reporting and asset management platform came into operation in early 2006. FIB's market strategy will remain channel-specific, but FIB expects to achieve synergies and cost savings by sharing IT and support functions. The most important Information Services and Technology (IST) project concerns the integration of the two non-life platforms; the main tasks of such integration are expected to be finalised by 2008.

FIB's strategy with the Broker Channel is to strengthen its market position through product innovation, providing optimum support for intermediaries and controlling costs. The Broker Channel focuses on profitable growth by deepening relationships with growth-oriented brokers with good technical profitability. The growing use of information and communication technology and meeting the quality demands of the intermediaries are the main drivers for improved service and efficiency. In order to improve communication with intermediaries and transaction process, FIB Broker Channel has invested heavily in chain integration. On average more than 1,400 insurance brokers use the online transaction system each day. These systems are helping FIB to improve the efficiency and quality of the administrative processing, thus leading to greater satisfaction among intermediaries and clients.

FIB, through the Bank Channel, offers integrated bancassurance solutions to complete or enhance the product and service range of Fortis Bank, in order to realise a full wealth planning and protection approach. Fortis Insurance Belgium's ten-year insurance distribution agreement with Banque de La Poste/Bank van De Post became operational in 2005. Under this agreement, FIB launched structured unit-linked contracts alongside traditional pension contracts. As a result, inflow of EUR 154.5 million was recorded in 2006.

In the employee benefits market, the Employee Benefits & Health Care (EB/HC) Channel aims to build on its experience in the field of employee benefits insurance for large companies.[31] It strengthened its position in the market by signing a number of key group healthcare contracts in 2005 and 2006. In the past three years, it has nearly doubled its healthcare portfolio from 400,000 affiliates in 2003 to 730,000 in 2006.

FIB's EB/HC channel is the leading second pillar group (which includes various company plans, sector-wide plans, early-retirement plans and individual plans), life insurance provider in Belgium. It provides pension plans, disability insurance products and health insurance. The solutions offered to clients have the benefit of complete customisation and flexibility.

Fortis Real Estate NV/SA **("Fortis Real Estate")**, which is FIB's subsidiary for property activities is the largest real estate asset manager in Belgium (including buildings held for own use).[32] Fortis Real Estate continues developing its property activities for the account of third parties.

[31] Source: Assuralian (http://www.assuralia.be, section: cijfergegevens/chiffres utiles), year 2005.

[32] Source: Expertisenews (http://www.expertisenews.be) based on fair value of 2006.

Strategy

Fortis Insurance Belgium aspires to strengthen its market leading position in the Belgian insurance market.[33] It aims to continue showing profitable growth in its three market segments, retail life, non-life and employee Benefits, through a multi-channel approach. Its key strategic goals are:

- Reinforce leadership position in the broker and bank channels;
- Sustain focus on innovative product and service offerings leading to competitive advantage;
- Maintain tight relationships with insurance brokers;
- Increase penetration and cross-selling in bancassurance;
- Further cost containment through intensive use of chain integration and synergies.

The following table shows the contribution of insurance in Belgium to Fortis total insurance results for the year ended December 31, 2006.

	Year Ended December 31, 2006		
	Insurance Belgium	Total Insurance	Insurance Belgium as a % of Total Insurance
	(EUR million, except %)		
Result before taxation	698	1,851	38%
Gross earned life premiums	4,353	9,147	48%
Gross earned non-life premiums	1,253	4,936	25%
Gross earned inflows	6,727	17,061	39%
Assets	51,772	114,927	45%

Market position

According to the Belgian Insurance Company Association, Assuralia, in 2006, the Belgian insurance market had EUR 29.6 billion of total inflow of which EUR 9.0 billion were non-life premiums, primarily motor, fire, accident, health and liability policies. Individual life policies, mostly pensions and savings products, accounted for the largest segment, EUR 16.6 billion of inflow. Group life, primarily companies' occupational pension schemes, accounted for EUR 4.1 billion.

The Belgian non-life market returned to overall profitability in 2005. A favourable economic environment allowed such profitability to continue during 2006. The positive trend reflected a number of factors, including the effect of earlier rate increases and a stable claims frequency, especially in motor insurance. Non-Life premium growth in 2006 was 4.0%, which was higher than the 3.0% rise in GDP.

The Belgian insurance industry is highly concentrated among a few large companies, with the six largest insurance groups (Fortis, KBC, Ethias, AXA, Dexia and ING) accounting for 79% of the market's total inflow in 2005. Fortis Insurance Belgium has a strong position in this market for all the products and services it provides.

Fortis Insurance had an overall market share of 23.4% in terms of total gross inflow in 2006. According to the market estimates published by Assuralia in its Annual Report 2006, Fortis Insurance Belgium has increased its life insurance market share from 20.9% in 2005 to 26.5% in 2006, and its non-life insurance market share from 15.7% in 2005 to 16.2% in 2006. Through its subsidiary Fortis Real Estate, Fortis Insurance Belgium is the largest real estate asset manager in Belgium (including buildings held for own use)[34].

According to the market estimates published by Assuralia in its 2006 Annual Report, Fortis Insurance Belgium's market share in individual life increased from 20.4% in 2005 to 27.6% in 2006. This strong growth in market share was the result of a decline in the individual life market of 22%, while Fortis Insurance Belgium realised a growth of 4% in this segment. When excluding first pillar group life insurance, FIB is the largest provider of second pillar group life insurance in Belgium, with a market share of 29.9%[35].

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[33] Source: Assuralian (http://www.assuralia.be, section: cijfergegevens/chiffres utiles), year 2005.

[34] Source: Expertisenews (http://www.expertisenews.be) based on fair value of 2006.

[35] Source: Assuralia (http://www.assuralia.be, section: cijfergegevens/chiffres utiles), year 2005.

Product Developments

A focus on innovative products and services is a key strategic priority. Two of these innovative products are "Familis" and "Modulis". The "Familis" and "Modulis" concepts distinguish FIB from its competitors. Familis is a modular multi-product concept for the retail market that enables the client to place several non-life insurance policies efficiently in a single portfolio, while Modulis targets the SME market, self-employed and liberal professions. In addition, the application process, management and processing by the intermediary take place rapidly and efficiently via a secure online transaction system.

When Modulis was launched in 1999 and Familis in 2002, the possession rate (i.e. average number of Property & Casualty policies divided by number of Familis or Modulis policies, as applicable) attained 1.5 contracts per client; as of March 2007 the possession rate increased to 2.3 for Familis and 3.7 for Modulis. As of December 31, 2006, the Modulis portfolio consisted of 52,400 clients (14,000 new clients were added during 2006), which represents 194,000 policies. More than 30% of our retail clients have their polices in the Familis portfolio, which already covers 1 household out of 8; as of December 31, 2006, Fortis Families portfolio amounted to 330,000 clients (89,000 of which were added during 2006), representing 758,000 policies. Modulis already covers more than 6% of the market and at the moment represents 30% of FIB's portfolio realised in the SME, self-employed and liberal professions segments.

Another very successful innovative product concept is the "Pack". A "Pack" offers extended insurance cover for a specific group of risks, for a small additional premium only. The generic packs, launched at the end of 2004 (Pack Auto+ and Pack Woning+), continue to be very successful. In 2006, two more specific packs have been launched: the Pack Garden and the Pack Swimming Pool.

Fortis Bank and FIB expect to launch a new synergy project relating to SME clients. Rather than being a Fortis Bank or a Fortis Insurance client, this synergy stimulates the SME to become a total Fortis client ("**Fortis V.I.P.**"), while benefiting from the advice linked to each specific channel (the Bank for banking advice/service and the broker for insurance advice/service).

Products

The following table sets forth Fortis Insurance Belgium's gross inflow life and the gross earned premiums non-life by type of policy for the periods indicated.

	Year Ended December 31,		
	2006	2005	2004
	(EUR million)		
APE[(1)]	511	494	417
Life			
Individual contracts	766	614	670
Group contracts	903	933	877
Investments contracts with discretionary participation features	2,684	2,592	2,122
Total gross earned premiums life	**4,353**	**4,139**	**3,669**
Investment contracts without discretionary participation features	1,121	1,141	631
Gross inflow life	5,474	5,280	4,300
Non-Life			
Property & Casualty	886	830	784
Accident & Health	367	329	309
Total gross earned premiums non-life	1,253	1,159	1,093
Total gross earned premiums	**5,606**	**5,298**	**4,762**

(1) New life business annual premiums and 10% of new life business single premiums.

Life Products

Fortis Insurance Belgium's life products consist of a broad range of participating (with profit sharing) and non-participating (without profit sharing) policies written for both individual and group customers. Participating policies share in either the results of the issuing company or investment returns on specified assets.

Individual. FIB's individual life products include a variety of endowment, pure endowment, term and whole life and universal life type insurance policies designed to meet specific market needs. FIB offers single and regular premium policies used primarily for the funding of individual retirement benefits. Due to the fiscal segmentation, most of the benefits under these policies are payable at age 60 to 65 or on premature death.

Fortis Insurance Belgium's tax-advantaged mortgage funding products include regular premium endowment policies, as well as policies that combine term insurance and savings features. Regular premium endowment policies are also marketed as savings products or sold in connection with residential mortgages. In addition, through its bancassurance distribution channel, Fortis offers investment products such as insurance bonds. FIB individual life products are mostly "universal life", offering investment style products, both investment-linked and non-investment linked.

FIB also offers investment-linked insurance policies, where the policyholder bears the investment risk. Premiums are invested in investment funds chosen by the policyholder and the return on the investments is reinvested in the fund on behalf of the policyholder. An optional death benefit at specified levels is offered as well. Policy terms allow the policyholder to switch periodically among funds.

Group. FIB's group life policies are designed to fund private pension benefits offered by a wide range of businesses, public authorities and institutions to their employees as a supplement to government provided benefits. These benefits include sums assured by life or death, annuities, disability benefits and spouses' and orphans' benefits.

For large groups, customised policies are offered to meet the needs of individual employers. For other groups, standardised policies providing specified benefits are offered.

Legally, the different types of group policies are "traditional" group insurance, key man insurance, early retirement pensions and public sector pensions. Fortis currently offers three different group products. The first consists of contracts with guaranteed interest increased by an annual profit sharing. The second group product consists of contracts with a guaranteed interest rate whereby profit sharing is based on the return on a segregated portfolio of investments. These investments are managed separately from other investments and Fortis receives a related management fee. The third type consists of contracts without a guaranteed interest rate whereby the policyholder bears investment risk and the return on the portfolio in which premiums are invested are solely for the benefit of the policyholder. Here FIB also receives a related management fee.

The following table sets forth certain data with respect to Fortis Insurance Belgium's individual and group life premiums by type of policy for the periods indicated.

	Year Ended December 31,		
	2006	**2005**	**2004**
	(EUR million)		
Unit-linked contracts			
Single premiums-written	16	8	1
Periodic premiums-written	39	32	33
Group business total	55	40	34
Single premiums-written	1	1	1
Periodic premiums-written	0	0	0
Individual business total	1	1	1
Unit-linked contracts total	56	41	35
Non unit linked contracts			
Single premiums-written	256	291	234
Periodic premiums-written	592	602	609
Group business total	848	893	843
Single premiums-written	430	185	259
Periodic premiums-written	335	428	410
Individual business total	765	613	669
Total non unit linked contracts	1,613	1,506	1,512

	Year Ended December 31,		
	2006	2005	2004
	(EUR million)		
Investment contracts with discretionary participation features			
Single premiums-written	0	15	0
Periodic premiums-written	0	14	0
Group business total	0	29	0
Single premiums-written	2,460	2,071	1,638
Periodic premiums-written	224	492	484
Individual business total	2,684	2,563	2,122
Total investment contracts with discretionary participation features	2,684	2,592	2,122
Total gross earned premiums	4,353	4,139	3,669

Non-Life Products

The following table sets forth FIB's gross earned written premium income by product for the periods indicated:

	Gross Earned Premiums		
	2006	2005	2004
	(EUR million)		
Property & Casualty	866	830	784
Accident & Health	367	329	309
Total	**1,233**	**1,159**	**1,093**

Property & Casualty

Fire. Fortis Insurance Belgium's fire insurance policies provide coverage to both individual and commercial customers. Fire policies generally provide coverage for a variety of losses, including fires, storms, burglary and other perils. Individual coverage is provided on both a single-risk and multi-risk basis, with multi-risk policies providing coverage for loss or damage to dwellings, damage to personal goods, and liability to third parties.

Commercial coverage is provided to Belgian companies for buildings and facilities in Belgium, and includes ordinary and commercial risks. Fortis Insurance Belgium is the largest provider of fire insurance in Belgium based on gross written premiums, with a market share of 21.7% in 2006.[36]

Motor. The motor policies commercialised by Fortis Insurance Belgium provide coverage to individual and commercial (fleet) insurers for third-party liability (including property damage and bodily injury), as well as coverage for theft, fire and collision damage. Belgian law requires that coverage for third-party liability be maintained with respect to each licensed motor vehicle. Other coverage, including collision, first party medical and damage suffered by the policyholder, the driver of the vehicle or the vehicle itself are optional. Each of the various optional types of coverage provided by Fortis Insurance Belgium is available with deductibles, which enables policyholders to reduce the cost of coverage by selecting higher deductible amounts. Policies are generally written for a minimum period of one year.

The terms and features of motor insurance offered by FIB are generally similar to those offered by its competitors in the Belgian market, though slight variations may occur as a result of the multi-channel approach. Because of these factors, competition in the Belgian motor insurance market is predominantly determined by the client-broker relationship and price. Fortis Insurance Belgium establishes its premium rates on the basis of its own historical data and pricing and underwriting experience. Premium levels are determined according to numerous variables, including factors related to the age and model of the insured vehicle as well as age, driving record and other factors related to the policyholder. In addition to premium levels, the frequency and severity of loss events affect the results of FIB's motor business.

[36] Source: Assuralia (http://www.assuralia.be, section: cijfergegevens/chiffres utiles), year 2005.

Other non-life. Other non-life insurance consists of protection of engineering and building projects, cargo insurance, third-party liability insurance (other than motor), legal assistance and protection against pecuniary loss.

Accident & Health

Accident & Health insurance is provided by Fortis Insurance Belgium on both an individual and group basis. The types of risks covered by FIB's Accident & Health insurance policies include accidental death and temporary and permanent disability. In Belgium, the government's role is decreasing in the field of disability insurance and sick pay, creating new opportunities for insurance companies to provide private sector coverage for benefits previously provided by the state. Belgian law stipulates that each employer must underwrite an insurance policy ("**Workmen's Compensation**") to cover employees in case of accidents in the work place or on the way to and from the work place and the employee's home. Unlike most other European countries, in Belgium the private sector rather than the state social security system provides these insurance products. Although provided by the private sector, the levels of premiums are subject to control of the government that also exerts administrative control of claims handling.

Distribution Channels

In Belgium, Fortis Insurance Belgium distributes its insurance products through three principal distribution channels: the independent professional intermediary broker channel, bancassurance and the Employee Benefits & Health Care (EB & HC) channel. These distribution channels offer products, which are targeted at specific market segments.

Products offered through the brokerage channel are generally aimed at customers who require specialized advice. The bancassurance channel generally offers standardised products that together with bank products offer a complete range of financial services to the bank customer.

Fortis Insurance Belgium has reinforced its leadership position in these two channels through the merger of Fortis AG and FB Insurance in 2006.[37] Activities that are not specific to either the broker or the bank channel have been combined to achieve cost synergies, while channel specific operations have been kept separate.

Independent Brokers

The products offered by FIB Broker Channel in the retail and small and medium-size enterprises market are distributed exclusively through more than 3,000 professional independent intermediaries. The professional independent intermediaries are individuals or companies, which represent a number of insurance companies in a sale and service capacity as third-party contractors. In this respect, FIB Broker Channel competes with other companies that provide financial products and services through this channel. FIB Broker Channel is a very large provider of insurance products through professional independent brokers in Belgium.[37] Independent brokers are paid on a commission basis and are not employees of the companies they represent.

The independent brokers mostly sell both life and non-life insurance products. According to an Assuralia survey on Belgian insurance distribution, the broker channel is the predominant channel in the non-life sector, with a market share of 61% in 2005.

FIB Broker Channel supports its professional brokers through nine small commercial centers all over Belgium, supported by three administration and management centers, which also perform underwriting and claims handling functions.

Bancassurance

Bancassurance continues to be a growing distribution channel in the Belgian insurance market. According to Assuralia, the bancassurance channel has generated nearly half (49%) of the total life inflow in 2005. Fortis Insurance Belgium is the leading distributor of life insurance in Belgium through the bancassurance distribution channel and in 2005 had a market share of 39% of the non-unit-linked and 14% of the unit-linked bancassurance market. It distributes life and non-life products, primarily to individuals and small enterprises, through 1,092 branches of Fortis Bank (as of December 31, 2006).

[37] Source: Assuralia (http://www.assuralia.be, section: cijfergegevens/chiffres utiles), year 2005.

In March 2005, Fortis Insurance Belgium signed a ten-year distribution agreement with Banque de La Poste/ Bank van De Post. Banque, which exclusively distributes structured unit-linked contracts together with traditional pension products.

Employee Benefits and Health Care

The EB & HC Channel provides group life, pension and healthcare insurance solutions to large enterprises in the public and private sectors both directly and through large and international brokers and consultants.

Insurance Netherlands

Overview

In The Netherlands, Fortis is active in insurance through Fortis ASR, a large generalist insurer, which markets its complete range of life and non-life insurance, mortgage and savings products to both the private market and small and medium-sized enterprises, and four specialist insurers. The specialist insurers supply income protection, unit-linked insurance, travel and leisure cover and funeral policies. Fortis ASR and the Dutch activities of the specialist insurers encompass all of Fortis insurance activities in The Netherlands as well as a number of banking activities offered via intermediaries (assurfinance). With an overall market share of 10.1% based on 2005 gross premiums written, Fortis Insurance Netherlands (FIN) is the third largest insurer in The Netherlands.[38]It addresses the market through different brands. Its financial products are distributed mainly through more than 8,000 independent brokers that vary greatly in terms of profile, size and marketing strategy with additional distribution through tied agents, fee consultants and Fortis bank branches.

Fortis Insurance Netherlands writes a broad range of life and non-life insurance products in The Netherlands. Life premiums and non-life premiums accounted for 57% and 43%, respectively, of gross premiums written in 2005 in The Netherlands.

Fortis Insurance Netherlands aims to sustain and further develop its strong market position in The Netherlands in life, disability, and pensions insurance products through bancassurance and assurfinance.

Strategy

In response to several decisive and rapidly changing market trends, Fortis Insurance Netherlands defined a new strategy for 2011. The key points of this strategy are:

- Focus on profitable growth, in particular in life and disability insurance, pensions, bancassurance and assurfinance;
- Diversify distribution, increasing the contribution from bancassurance and own distribution channel relative to broker distribution;
- Focus on customer and broker satisfaction;
- Innovate life and non life products and solutions;
- Improve operational excellence.

To achieve these goals, Fortis Insurance Netherlands will deploy three strategic themes: (1) improve core activities through the improvement of operational excellence and commercial effectiveness; (2) offer innovative products and services, develop multi-channel distribution and reinforce customer focus through product innovation and (3) implement enablers (i.e. organization adjustments, process redesign and leadership programs) to enhance client focus in areas such as organization and culture.

The Dutch insurance markets are some of the most sophisticated in Europe, with relatively high proportions of life and pensions sales, deregulation, focus on asset management performance and increasingly competitive distribution channels. Independent brokers still predominate but bancassurance and direct writers are significant and increasing competitive forces.

A high level of competition marks all segments of the insurance market in The Netherlands This has led to significant margin pressures in this market. The proliferation of niche segments (by geography or by

[38] Source: Assurantie Magazine (Am *Jaarboek* based on DNB numbers) based on premium income 2005. Life insurance number 4, Non-Life insurance number 3.

product) has exacerbated this competition, though the combination of low top-line growth, excess capacity and high cost structures, suggests that further consolidation is imminent.

The table below shows the contribution of insurance in The Netherlands to Fortis total insurance results as of and for the year ended December 31, 2006.

	Year Ended December 31, 2006		
	Insurance Netherlands(1)	Total Insurance	Insurance Netherlands as a % of Total Insurance
	(EUR million, except %)		
Result before taxation	810	1,851	44%
Gross life premiums	3,437	9,147	38%
Gross non-life premiums	1,944	4,936	39%
Gross inflows	5,381	17,061	32%
Assets	40,451	114,927	35%

(1) Netherlands Insurance includes Fortis ASR and four specialist insurers.

Market Position

In 2005, Fortis was the third largest provider of insurance products (excluding medical costs), the second largest provider of non-life insurance and the fourth largest provider of life insurance products in The Netherlands. Fortis has a leading market position in individual life and non-life cover, disability insurance, and niche markets such as travel and leisure and funeral policies. Fortis market position in The Netherlands is based on Fortis review of publicly available data and gross premium income in 2005.[39]

As of December 31, 2005, Fortis Insurance Netherlands was the third largest insurer in the Dutch insurance market.[40] The total market share of the top three players increased from 38% in 2002 to 45% in 2005. Assuming this trend continues, this will lead to a concentration of 65% by 2010. Such trend would be in line with the Dutch banking sector, where consolidation has resulted in a 65% market share for the top three banks.

In addition to consolidation, the insurance sector is being challenged by a number of external trends and discontinuities. Examples of these developments include changing consumer behaviour, as there is a growing consumer demand for simple products covering basic needs which can be easily accessed through all channels (Internet, telephone, mail, personal). The importance of the Internet channel continues to increase.

The purchase of simple risk Property & Casualty products through the Internet is expected to increase to more than 40% by 2010 (12% in 2005).

This development towards convenience and transparency is reinforced by new regulations such as the recently implemented Financial Services Act and the upcoming Transparency in Commissions Act. New legislation regarding the full privatisation of the disability risk for employers, has led to the development of complex disability products which require an enhanced level of customer care and advice in the marketing phase.

[39] Source: Assurantie Magazine (Am *Jaarboek* based on DNB numbers) based on premium income 2005. Life insurance number 4, Non-Life insurance number 3.

[40] Source: Assurantie Magazine (Am *Jaarboek* based on DNB numbers) based on premium income 2005. Life insurance number 4, Non-Life insurance number 3.

Products

The following table sets forth Fortis gross inflow life and the gross earned written premiums non-life by type of policy for the periods indicated.

	Year Ended December 31, 2006	2005	2004
	(EUR million)		
APE[(1)]	275	250	273
Life Individual contracts	2,343	2,212	2,176
Group contracts	1,094	423	366
Investments contracts with discretionary participation features	—	—	—
Total gross earned premiums life	3,437	2,635	2,542
Investment contracts without discretionary participation features	—	—	—
Gross inflow	3,437	2,635	2,542
Property & Casualty	985	986	1,008
Accident & Health	959	1,003	1,028
Total gross earned premiums non-life	1,944	1,989	2,036
Total gross earned premiums	5,381	4,624	4,578

(1) New life business annual premiums and 10% of new life business single premiums.

Life Products

Fortis life insurance products consist of a broad range of participating (with profit sharing) and non-participating (without profit sharing) policies written for both individual and group customers. Participating policies share in either the results of the issuing company or investment returns on specified assets.

The following table sets forth certain data with respect to Fortis individual and group life insurance premiums in The Netherlands by type of policy for the periods indicated.

	2006	2005	2004
	(EUR million)		
Unit-linked contracts			
Single earned premiums	42	43	75
Periodic earned premiums	93	87	123
Group business total	135	130	198
Single earned premiums	139	116	270
Periodic earned premiums	868	867	665
Individual business total	1,007	983	935
Unit-linked contracts total	1,142	1,113	1,133
Non unit-linked contracts			
Single earned premiums	717	145	78
Periodic earned premiums	242	148	89
Group business total	959	293	167
Single earned premiums	767	645	668
Periodic earned premiums	569	584	574
Individual business total	1,336	1,229	1,242
Total non unit linked contracts	2,296	1,522	1,409
Total gross earned premiums	3,437	2,635	2,542

Individual. Fortis individual life products include a variety of endowment, pure endowment, term and whole life and universal life type insurance policies designed to meet specific market needs. Fortis offers single and regular premium policies used primarily for the funding of individual retirement benefits. Due to the fiscal segmentation, most of the benefits under these policies are payable at age 60 to 65 or on premature death.

Fortis tax-advantaged mortgage funding products include regular premium endowment policies, as well as policies that combine term insurance and savings features. Regular premium endowment policies are also marketed as savings products or sold in connection with residential mortgages. In addition, through its bancassurance distribution channel, Fortis offers investment products such as insurance bonds. The individual life products offered by Fortis insurance companies in The Netherlands are mostly “universal life”, offering investment style products, both investment-linked and non-investment linked.

Fortis also offers investment-linked insurance policies, where the policyholder bears the investment risk. Premiums are invested in investment funds chosen by the policyholder and the return on the investments is reinvested in the fund on behalf of the policyholder. An optional death benefit at specified levels is offered as well. Policy terms allow the policyholder to switch periodically among funds.

In addition, Fortis offers products, which have different features or are unique to the Dutch market such as deposit life policies. Under a deposit life policy Fortis administers a savings deposit life insurance plan, under which the participants surviving for a fixed period of time participate in the value of the savings deposits and accrued interest at that time. An optional supplementary death benefit is provided by a term insurance policy.

Group. Fortis group life policies are designed to fund private pension benefits offered by a wide range of businesses, public authorities and institutions to their employees as a supplement to government provided benefits. These benefits include sums assured by life or death, annuities, disability benefits and spouses’ and orphans’ benefits.

For large groups, customised policies are offered to meet the needs of individual employers. For other groups, standardised policies providing specified benefits are offered.

Legally different types of group policies are “traditional” group insurance, key man insurance, early retirement pensions and public sector pensions. Fortis currently offers three different group products. The first consists of contracts with guaranteed interest increased by an annual profit sharing. The second group product consists of contracts with a guaranteed interest rate whereby profit sharing is based on the return on a segregated portfolio of investments. These investments are managed separately from other investments and Fortis receives a related management fee. The third type consists of contracts without a guaranteed interest rate whereby the policyholder bears investment risk and the return on the portfolio in which premiums are invested are solely for the benefit of the policyholder. Here Fortis also receives a related management fee.

The group policies sold by the Dutch insurance companies are primarily old age and widows pensions sold on both a traditional and investment-linked basis.

Non-Life Products

The following describes the primary non-life insurance products offered by Fortis in The Netherlands. Non-Life insurance products are also issued by Fortis companies in Belgium as well as other countries, primarily in Europe.

The following table sets forth Fortis Netherlands gross premium income by product for the periods indicated.

	Gross Premiums		
	2006	**2005**	**2004**
	(EUR million)		
Property & Casualty	985	986	1,008
Accident & Health	959	1,003	1,028
Total	**1,944**	**1,989**	**2,036**

Property & Casualty

Motor and fire. The motor policies provided by Fortis in the Dutch market provide coverage to individual and commercial (fleet) insurers for third-party liability (including property damage and bodily injury), as well as coverage for theft, fire and collision damage. Dutch law requires that coverage for third-party liability be maintained with respect to each licensed motor vehicle. Other coverage, including collision and first party medical, is optional. Dutch law does not require that insurance be maintained for damage suffered by the policyholder, the driver of the vehicle or the vehicle itself.

Each of the various types of coverage provided by Fortis is available with deductibles, which enables policyholders to reduce the cost of coverage by selecting higher deductible amounts. Policies are generally written for a minimum period of one year.

Fortis fire insurance policies provide coverage to both individual and commercial customers. Fire policies generally provide coverage for a variety of losses, including fires, storms, burglary and other peril. Individual coverage is provided on both a single-risk and multi-risk basis, with multi-risk policies providing coverage for loss or damage to dwellings, damage to personal goods, and liability to third parties.

Other non-life. Other non-life insurance consists of protection of engineering and building projects, cargo insurance, third-party liability insurance, legal assistance and protection against pecuniary loss.

Corporate business. This segment consists primarily of industrial protection and liability lines.

Accident & Health

Accident & Health is another principal non-life line of business and, because of the privatisation of disability and health insurance in The Netherlands, is a particularly fast-growing segment. Accident & Health insurance is provided by FIN on both an individual and group basis. The types of risks covered by FIN's Accident & Health insurance policies include death by accident, and temporary and permanent disability. In The Netherlands, the government's role is decreasing in the field of disability insurance and sick pay, creating new opportunities for insurance companies to provide private-sector coverage for benefits previously provided by the Dutch government. The overall aim of Fortis sickness and disability strategy is to be an important player in the employee benefits market.

Distribution Channels

Fortis Insurance Netherlands distributes its insurance products primarily through independent intermediaries. In addition, it is also using Fortis Bank, as well as other banks' branches for selected products. Finally, Fortis ASR operates a tied agents sales force (VerzekeringsUnie) and a franchise organization that primarily sell Fortis ASR products (Attentiv). The Fortis strategy is to serve each distribution channel with products, which are not only carefully tailored to the requirements of the target customer, but also to those of the particular distribution channel.

Independent Brokers

Professional independent brokers are the main distribution channel in The Netherlands for Fortis life and non-life policies, accounting for more than 80% of total sales in 2006. The brokers are individuals or companies, which represent a number of insurance companies in a sale and service capacity as third-party contractors. They are paid on a commission basis and are not employees of the companies they represent.

Direct/Tied Agents

Fortis Insurance Netherlands has an agency network of approximately 170 agents that sell insurance products primarily to middle-income individuals. Tied agents work exclusively for Fortis and receive a commission based on business produced. As the customer behaviour changes and a growing number of customers prefer to buy simple risk products through the Internet, Fortis aims to set up its own distribution channel and roll out an Internet based sales concept, enabling brokers to sell through their own website.

Bancassurance

The bancassurance distribution channel, which consists primarily of the network of Fortis Bank in The Netherlands (155 branches at the end of 2006), mainly sells individual, straightforward products issued by FIN to retail clients of Fortis Bank and other banks.

Competition

There is a high level of competition in The Netherlands for all insurance products sold by FIN. Competition is strong in the life insurance market as domestic and foreign insurers face a lack of growth in the life market as a consequence of less attractive tax regulation. However, a number of small domestic and foreign insurers have sold their operations as they lacked scale and the market in The Netherlands continues to experience consolidation.

Although competition in life insurance is strong, competition in the more cyclical non-life market is even stronger due to the high number of companies active in the non-life market. The large number of companies writing non-life policies in The Netherlands increases competition and results in more fragmented market shares; the top five insurance companies wrote 53% of non-life premiums based on 2005 data, compared to 73% of life premiums.

Competition with respect to the products and services provided by Fortis insurance companies in The Netherlands is based on factors such as:

- price;
- financial strength and claims-paying ratings;
- size and strength of distribution channels;
- range of product lines, product quality, reputation and visibility in the marketplace;
- quality of service;
- sales of banking products via intermediaries (Assurfinance); and
- asset management performance, with respect to investment-linked and participating life contracts.

Insurance International

Overview

Insurance International brings together all the principal insurance activities outside Belgium and The Netherlands, as well as Fortis Corporate Insurance and Fortis RE. Insurance International sells its insurance products in selected markets in the United Kingdom (Fortis UK), Luxembourg (Fortis Luxembourg Vie and Fortis Luxembourg IARD), France (Fortis Assurances France) Germany (Fortis Lebensversicherung), Russia (Fortis Life Insurance Russia) and Ukraine (Fortis Life Insurance Ukraine), while in Portugal (Millenniumbcp Fortis), China (Taiping Life), Malaysia (Mayban-Fortis) and Thailand (Muang Thai Fortis), Fortis has exploited its know-how in insurance by entering these markets via joint ventures with strong local partners. Fortis Corporate Insurance distributes corporate insurance in Belgium and The Netherlands.

Insurance International seeks to leverage Fortis existing skills in distribution, operations and products and has established a presence in selected European and Asian markets, selling its products via a number of channels, including brokers, banks, agents and directly. For instance, in Luxembourg, Insurance International principally offers life insurance, distributed through brokers and bank alliances, whilst in the UK only non-life products are distributed via an extensive broker network, affinity groups and a direct network. Life insurance products are sold in France through intermediaries, a network of Fortis agents and recently via Fortis Bank. Fortis has successful joint ventures with strong local banking partners in Spain, Portugal and Malaysia. In Thailand and China, Fortis has set up joint ventures aimed not only at the banking channel, but also at alternative channels such as agents. Fortis Corporate Insurance offers non-life products to medium-sized and larger companies, primarily in the Benelux via brokers. Fortis RE is the reinsurer for the non-life Fortis companies.

Insurance International aims at further accelerating growth in its business by building on its existing market positions. At the same time, it will pursue selected new product/market opportunities in Europe and Asia by way of organic expansion, acquisitions and strategic partnerships.

The following table shows the contribution to Fortis total insurance results as of and for the year ended December 31, 2006.

	Year Ended December 31, 2006		
	Insurance International	Total Insurance	Insurance International as a % of Total Insurance
	(EUR million, except %)		
Result before taxation	343	1,851	19%
Gross earned life premiums	1,357	9,147	15%
Gross earned non-life premiums	1,739	4,936	35%
Gross earned inflows	4,953	17,061	29%
Assets	23,327	114,927	20%

33% of Insurance International total gross earned inflows for 2006 were attributable to Fortis operations in Portugal, 27% to Luxembourg, 19% to the United Kingdom and 9% to France. As Fortis' investments in Asia are through joint ventures not fully controlled by Fortis, such joint ventures are accounted for under the equity method and thus are not included in Fortis consolidated gross inflow figures (however, Fortis consolidated net profit does take into account the relevant share of the results of these operations). Fortis Corporate Insurance accounted for 12% of total gross inflows in 2006.

Gross earned non-life premiums at Insurance International increased by 6% to EUR 1,739 million in 2006.

Insurance International's strategy is to increase its revenues in existing and, where appropriate, new markets. The focus is on multi-channel distribution. The development of new products will be tailored to specific countries and customer groups, and will leverage existing knowledge and skills within Fortis insurance companies. When entering new markets, Insurance International will primarily focus on life and pension products. Fortis enters new markets through both joint ventures and full ownership. When entering via joint ventures, it applies a rigorous set of criteria before selecting a partner. Fortis aim in these joint ventures is to reinforce or achieve management control with management representation in certain key selected areas.

Insurance International plans to continue to build its organization and business by developing new products, ongoing skill and knowledge transfer between units and entering new markets. It will also optimise the local character of the acquisitions completed in 2006.

Insurance International continued to implement the growth strategy it announced in 2005, by further building its existing businesses and by expanding in selected markets in Europe and Asia. Significant progress with entering new markets was made in 2006.

In Europe, Fortis launched a new life insurance company in Russia in 2006. The company works with a state-of-the-art IT system that is also used by the Chinese joint venture Taiping Life. Its product range consists of term life insurance, endowment insurance, and pension insurance. Examples are an 'education plan' product for Russia's rapidly growing middle class and a pension scheme for corporate employees. The products will be distributed via the direct channel (the internet and call centers) and through account managers targeting Russian corporate enterprises. Launch of the marketing campaign is expected to take place in the first half of 2007.

Fortis acquired life insurers in Ukraine and in Germany. The companies will start selling life insurance products under the Fortis brand during 2007. In Germany, the platform will also support the sale of insurance products through Fortis Credit4Me consumer finance concept.

Fortis continues to grow its affinity marketing sales in the UK, building on its earlier acquisitions Outright and Affinity Solutions. In 2006 Outright's portfolio expanded by 50,000 customers through its new relationship with the UK Armed Forces. Fortis UK ended the year with more new affinity deals and the acquisition of InsureTech Limited, a small start-up that will enable Fortis UK to broaden its multi-channel distribution model with internet sales in the general insurance market.

In Asia, Insurance International signed a three-way joint venture agreement with Industrial and Development Bank of India (IDBI) and Federal Bank, aimed at establishing a new insurance company to commence operations in 2007. Fortis will initially own 26% of the new company and IDBI and Federal Bank will own 48% and 26% respectively. Fortis will contribute its experience in bancassurance and product know-how, while IDBI and Federal Bank offer their distribution skills. The company will pursue a multi-channel distribution strategy, although at the outset the emphasis will be on distributing products through the partners' extensive networks, with other distribution channels being added later.

Strong growth is being realised in Asia. Fortis completed the acquisition of Malaysian National Insurance Holdings. Mayban Fortis is now a leading player in the Malaysian insurance market, with market leadership positions in life and takaful insurance. The combined entity benefits from Fortis integration skills. Muang Thai Life (Thailand) reported revenue growth of 23% in 2006, amply outpacing the Thai insurance industry's 4% growth. It is now the sixth largest insurance company in Thailand.[41] Taiping Life (China), too, grew much faster than the overall Chinese market. Taiping Life launched a new product — a deferred annuity — in the second half of 2006, and it is selling well. A Universal Life product, launched at the end of 2005 for the bancassurance channel, continues to be its best selling product. Taiping Life surpassed EUR 1 billion in gross inflow for the first time.

On 23 May, Fortis announced that it had finalised the acquisition of 50.45% of PCI from its majority shareholder, PCI Regional Developments Ltd, and others for a total consideration of EUR 341 million. A mandatory general offer to acquire the remaining shares and options of PCI was subsequently launched, with Fortis announcing on June 15, 2007 that it had acquired 98.59% of PCI. With over 95% of the shares, Fortis is currently in the process of making a compulsory offer for the remaining 1.41% of shares.

Business Environment

The non-life environment in Europe has been favourable recently, which may lead to pricing pressure as new players are attracted to the market. The challenge for Insurance International is to maintain positive underwriting results, while at the same time maintaining existing market shares. Life insurance is growing steadily and is likely to continue due to the aging population, especially in countries with a high dependency on state pension provision.

Brokers and agents remain the dominant channels in some countries. However, in others, particularly the UK, new distribution channels are being utilised, such as the internet, affinity marketing and brand assurance. Straightforward life and non-life products can be readily distributed via these new channels, whereas more complex ones will probably continue to rely on conventional distribution. Insurance International's distribution and product mix may change in response to European regulatory harmonisation (e.g., Solvency II), tax changes and shifting consumer behavior.

The life sector in Asia continues to develop at double-digit rates in most markets. Although bancassurance has become the dominant distribution channel in some areas, the agency channel is the largest distributor of life products. Companies pursuing a multi-channel distribution strategy could benefit from growth in bancassurance and new distribution channels like the internet.

The following table sets forth Fortis gross inflow life and the gross earned premiums non-life by type of policy for the periods indicated.

	Year Ended December 31,		
	2006	2005	2004
	(EUR million)		
APE	550	535	232
Life Individual contracts	523	481	318
Group contracts	121	115	80
Investments contracts with discretionary participation features	713	886	0
Total gross earned premiums life	**1,357**	**1,482**	**398**

[41] Source: The Thai Life Assurance Association (TLAA), 2005 based on premium income.

	Year Ended December 31,		
	2006	2005	2004
	(EUR million)		
Single earned premiums	3	2	2
Periodic earned premiums	118	114	78
Group business total	121	116	80
Single earned premiums	247	216	116
Periodic earned premiums	276	264	202
Individual business total	523	480	318
Total investment contracts with DPF	713	886	—
Total gross earned premiums	**1,357**	**1,482**	**398**

The following table sets forth Insurance International's gross life premiums by type of policy for the periods indicated.

	Year Ended December 31,		
	2006	2005	2004
	(EUR million)		
Unit-linked contracts			
Single earned premiums	1	0	0
Periodic earned premiums	43	37	31
Group business total	44	37	31
Single earned premiums	128	87	61
Periodic earned premiums	45	39	44
Individual business total	173	126	105
Unit-linked contracts total	217	163	136
Non unit-linked contracts			
Single earned premiums	2	2	2
Periodic earned premiums written	75	77	47
Group business total	77	79	49
Single earned premiums	118	130	55
Periodic earned premiums	232	225	158
Individual business total	350	355	213
Total non unit linked contracts	427	434	262
Investment contracts with discretionary participation features			
Single earned premiums	3	2	2
Periodic earned premiums	118	114	78
Group business total	121	116	80
Single earned premiums	247	216	116
Periodic earned premiums	276	264	202
Individual business total	523	480	318
Total investment contracts with discretionary participation features	713	886	—
Total gross earned premiums	1,357	1,482	398

The following table sets forth Insurance International's gross non-life premiums by type of policy for the periods indicated.

	Gross Earned Premiums		
	2006	2005	2004
	(EUR million)		
Accident & Health	204	177	61
Property & Casualty	1,535	1,463	1,356
Total	**1,739**	**1,640**	**1,417**

United Kingdom

In the United Kingdom, Fortis UK is active in the non-life insurance market, distributing its products (predominantly motor, household and travel) via brokers, affinity groups and direct to customers. It seeks to combine efficiency with competitive prices and a high level of service. Independent analysis by Citigroup, Datamonitor and Mercer Oliver Wyman consistently finds Fortis UK as having the lowest unit cost of production in the motor market, while maintaining a high level of service, as demonstrated by various awards and accolades from brokers, partners and customers.

In 2006 Fortis UK insured approximately 1.5 million vehicles and ranked fifth in 2005 based upon net written premiums.[42] During 2006 Fortis UK insured a record 6.5 million customers. Fortis UK's strategy is to exploit its reputation and highly efficient operating model to increase its market share in other areas of insurance for individuals and small businesses through a range of distribution channels. During 2006 Fortis UK acquired Text2Insure, an innovative distribution method of travel policies via SMS and Insuretech, an online insurance aggregator. The strategic alliance with the Age Concern, (an insurance affinity group targeting customers who are 50 years old or older), was successfully implemented, resulting in the transfer of Age Concern's portfolio to Fortis, which caused a 66% increase in household customers (over to one million). In 2005, Fortis UK acquired the personal lines insurance solutions provider OutRight, now serving in excess of 200,000 policyholders supported by a new relationship with the UK Armed Forces and its AutoDirect business. Affinity Solutions was able to leverage on Fortis UK's expertise and increased its penetration in the affinity market, a fast growing market segment in the UK.

Fortis Corporate Insurance

Fortis Corporate Insurance is one of the leading non-life insurers for large and medium-sized national and international companies in the Benelux. In addition to offering tailor-made insurance cover, it actively assists clients in managing their risks. Clients are served in partnership with specialized insurance brokers. To further strengthen its market position it invests in knowledge about the insured risks, and in its organization and processes. Fortis Corporate Insurance employs 350 people working from offices in Amstelveen, Brussels, Rotterdam and Antwerp. Fortis Corporate Insurance is rated A+ (strong) by FitchRatings and A (strong) by Standard & Poor's.

Luxembourg

Fortis Luxembourg Vie is the second largest life assurance company in Luxembourg and is developing into a pan-European player.[43] In 2006 more than 75% of the gross inflow was obtained via third parties (primarily from private banking channels such as JP Morgan). The company is active in Belgium, France, Italy, Germany and Spain. It uses a variety of channels for the distribution of its products, in particular the branch network of Fortis Bank Luxembourg and financial intermediaries. Fortis Luxembourg IARD also offers non-life insurance products (with the exception of motor insurance) within the Grand Duchy, primarily via intermediaries and for selected products through the Fortis Banque Luxembourg branches. In 2006, total insurance liabilities grew to EUR 5.2 billion, an increase of 32% compared to 2005.

France

In France, Fortis Assurances France is active in the life insurance market for individuals and for business leaders of small and medium-sized companies and their families. Fortis Assurances has redefined its strategy and is now targeting, via a direct sales force and independent intermediaries, mainly dealers, tradesmen, members of the independent professions and managers, offering insurance and supplementary pension solutions. At the end of 2006 Fortis Assurances started a cooperation with Fortis Bank France, thus adding a third distribution channel. A successful and innovative unit-linked product was developed, which won the 2006 French award for most innovative insurance product (Life Insurance Innovation Award).

Spain

Fortis has been active in Spain since 1992 via CaiFor, a 50% joint venture with "la Caixa", the largest savings bank in Spain. CaiFor provides an umbrella for the life insurance company VidaCaixa and the non-life insurer

[42] Source: Association of British Insurers (ABI), 2005 based on premium income http://www.abi.org.uk/Display/File/524/General_Rankings_2005.xls.

[43] Source: *Association des Compagnies d'Assurances* (ACA), 2005 based on premium income http://www.aca.lu/.

SegurCaixa, both of which market their products via the approximately 4,500 branch network of "la Caixa". CaiFor is market leader in the Spanish individual and group pension market with a market share of 13% (measured by life insurance provisions) as of December 31, 2005. SegurCaixa, which mainly offers combination home insurance packages, continued its strong growth attributable to the integrated distribution of its products via the banking channel and the dynamic development of the Spanish housing market. During 2006 a motor insurance project was developed, and it is expected to be launched during 2007. In July 2007, Fortis and "la Caixa" announced that they reached an agreement pursuant to which "la Caixa" would acquire all Fortis interests in CaiFor for a total cash consideration of EUR 980 million. The transaction was completed on November 13, 2007.

Portugal

Millenniumbcp Fortis (51% owned by Fortis) realised total gross inflow of EUR 1.6 million in 2006. Non-Life premiums grew by 17% to EUR 171 million in 2006 and Life inflow amounted to EUR 1.5 million in 2006. During 2006 a product innovation program was launched and new products were developed. The effect of these new products is expected to be recorded after their introduction in 2007, based on positive initial results of a marketing pilot. New distribution channels were launched by Health, supported by new agreements with brokers and Portuguese insurance companies. With a market share of 16% as of March 2007, Millenniumbcp Fortis ranks second in the Portuguese Life and total Insurance market. Medis (the Health brand) is well recognized in the Portuguese market with a market share of 21%, ranking second in the market.[44] The Pension Fund business continued to perform well in 2006, with funds under management of EUR 6.8 million, an increase of 11% compared to 2005.

China

In China, Fortis operates through the life insurance company Taiping Life, which has a national operating license. Taiping is a life insurance joint venture in which Fortis has a 24.9% stake and the other shareholders are China Insurance Holding Company Limited (CIHC) (25.05%), and China Insurance International Holdings Company Limited (CIIH) (50.05%), a listed Hong Kong company which is controlled by CIHC. In 2006 gross inflow increased by 43% compared to 2005 to EUR 1.1 billion. The company has 22 branches and 230 sub-branches or distribution offices, with approximately 4,200 employees and approximately 26,400 brokers and sales agents as of December 31, 2006. As of December 31, 2006, Taiping Life's market share had increased to 2.7% (based on total premiums) in a fast-growing market and was the sixth largest life insurer in China.

Malaysia

In Malaysia, Fortis operates through Mayban Fortis, a joint venture with Maybank, the largest financial service-provider in the country with more than 500 bank branches. In this bancassurance joint venture, Fortis has a total of 30% equity interest in Mayban Life Assurance Berhad and Mayban General Assurance Berhad. In 2006 gross inflow increased by 125% compared to 2005 to EUR 797 million. The company had approximately 2,000 employees and 16,900 sales agents as of December 31, 2006. During 2006, Mayban Fortis completed the acquisition of Malaysia National Insurance Holdings (MNIH), a leading insurance company, and this acquisition enabled Mayban Fortis to evolve into a leading multi-channel insurer in Malaysia.

Thailand

In 2004, with a view to achieving a leadership position in the Thai insurance markets, Fortis entered into a strategic partnership with Muang Thai in Thailand and its partner bank, Kasikorn Bank. In 2006, Muang Thai Fortis (Life & General) saw its gross inflow rise to EUR 250 million from 211 in 2005. Muang Thai Life achieved the highest annualised new premium growth rate (a 31% increase) among the top five players in the market (on a year-on-year basis) in 2006, mainly due to growth in its multi-channel distribution (e.g., agency sales, bancassurance and affinity group marketing). The bank doubled its banc insurance sales specialists to more than 300 in 2006. As a result, sales from the bancassurance channel increased more than 200% compared with 2005. Muang Thai Life is now the fourth largest life insurer in Thailand with approximately 1,000 employees and approximately 10,000 sales agents.

Principal markets

The market segments on which Fortis internationally competes can be divided into three major businesses: retail banking, merchant and private banking and insurance. Fortis occupies a leading position in all market

[44] Source: *Associação Portuguesa de Seguradores(APS)* based on premium income http://www.apseguradores.pt.

segments in the Benelux. On the European territory, Fortis ranks among the top 20 financial institutions. This position is largely due to its strong footprint in the retail banking segment with more than 1,600 branches across Europe, 44 credit shops in Germany and Poland and post office networks in Belgium and Ireland. The insurance business also contributes significantly by way of strong insurance activities in selected European countries such as Spain, Portugal, Germany and Russia. Finally, Fortis also benefits in Europe from a dynamic growth of some niche markets in the merchant and private and commercial banking segment. Fortis is a top European player in cross-border leasing and commercial finance with presence in almost all European countries. Fortis is also a leading financial institution in the field of trust and corporate services.

Besides its competitive European presence, Fortis also successfully combines its banking and insurance expertise in growth markets in Europe and Asia. Poland, Turkey and Russia are the principal European growth markets on which Fortis competes. In Asia, Fortis plays an important role in the insurance market. It is number 6 live insurer in China and Thailand and occupies a leading position for individual live business in Malaysia. Fortis also has a significant presence in the merchant and private banking market segment where it can rely on a strong presence through several business centers in China, Japan and Malaysia.

Also, Fortis intends to become a key player in the United States on several niche markets. It holds already a leading position in North America in several niche markets such as shipping, commodity and energy and transportation.

SUPERVISION AND REGULATION

General

The banking, investment services, insurance and broker dealer businesses of Fortis are subject to detailed, comprehensive regulation and supervision in all the jurisdictions, including several countries in Asia and the United States, in which Fortis does business. In addition, certain European Union directives discussed more fully below have had and will have a significant impact on the regulation of Fortis's banking, investment services, insurance and broker dealer businesses in the European Union when such directives are implemented through local legislation adopted within each member state, including The Netherlands, Belgium and Luxembourg.

For the purposes of this heading, the following abbreviations have the meaning indicated:

- "**BFIC**" means the Belgian Banking, Finance and Insurance Commission ("*Commission Bancaire, Financière et des Assurances*" — "*Commissie voor het Bank-, Financie- en Assurantiewezen*"), since January 1, 2004 the single supervisory authority for the Belgian financial sector, created as a result of the integration of the "Office de Contrôle des Assurances" — Controledienst voor de Verzekeringen" (Insurance Supervisory Authority, hereinafter the "**ISA**") into the former Banking and Finance Commission ("**BFC**").
- "**DNB**" means the "De Nederlandsche Bank N.V." the Dutch supervisory authority for the prudential supervision of banking, insurance and pensions businesses.
- "**FM**" means the "Autoriteit Financiële Markten", the Dutch supervisory authority for the conduct supervision of financial enterprises.
- "**CSSF**" means the "Commission de Surveillance du Secteur Financier", the single supervisory authority for the Luxembourg financial sector.
- "**NBB**" means the National Bank of Belgium.

Supervision of Fortis as a Mixed Financial Group

As a bi-national, integrated financial services provider, Fortis is subject to different forms of internal and external supervision.

As a bi-national, integrated financial services provider, Fortis is subject to different forms of internal and external supervision. Fortis' banking activities and investment services are organized on cross-border business lines, whereby the commercial core is in Belgium, The Netherlands or Luxembourg, depending on the business line. To ensure proper supervision of these cross-border activities, the relevant regulators (the CBFA in Belgium, the DNB in The Netherlands and the CSSF in Luxembourg) signed a Memorandum of Understanding on 29 March 2001. Fortis' insurance businesses are not cross-border and are therefore subject to national insurance supervision; given the merger of the insurance and banking regulators in both Belgium and The Netherlands, the regulation is also exercised respectively by the CBFA and DNB.

The respective supervisors in Belgium and The Netherlands (CBFA, DNB) are of the opinion that integration of the activities within a financial services company (or a financial conglomerate) gives rise to specific risks which require the separate banking and insurance supervision to be supplemented with comprehensive supervision at the group level. In February 2002, the supervisors agreed on a renewed Protocol (entitled "Framework for the exercise of the supplementary supervision of the Fortis Group") to provide for adequate supervision of Fortis. This Protocol replaces a 1996 agreement concluded between the supervisors, which needed to be reviewed as a result of the changes in the management structures of Fortis and the international developments in the supervision of financial services companies.

The Protocol seeks to supplement the separate supervision of the banking and insurance businesses of Fortis and comprises two parts.

First, the Protocol discusses the key prudential issues which, according to the supervisors, must be addressed to enable supervision of Fortis as a whole to be exercised adequately. These issues include supervision of:

- Fortis's shareholding structure;
- the persons carrying out management functions within the holding companies;

- Fortis's organizational structure;
- Fortis's capital adequacy;
- intra-group transactions;
- risk concentration; and
- provisions on the access to and verification of information.

Fortis is required to report on several of those issues to the supervisors. Fortis has been informed of these key issues and has agreed to comply with the Protocol.

Second, the Protocol highlights the arrangements made between the supervisors for the organization of the supervision (i.e. the consultation between the supervisors and the role of the coordinator). Supplementary supervision is exercised jointly by the supervisors. The supervisors appointed the BFC (now the BFIC) as coordinator within the framework of the supplementary supervision. The coordinator acts as the central liaison for Fortis with the supervisors.

The supervisory framework set forth in the Protocol was established in accordance with the principles underlying the directive on the supervision of financial conglomerates, which was adopted by the European Union on December 16, 2002. This directive aims to address the supervisory issues that arise from the blurring of distinctions between the activities of firms in each of the banking, securities, investment services and insurance sectors. The main objectives of the directive are to: (a) ensure that a financial conglomerate has adequate capital; (b) introduce methods for calculating a conglomerate's overall solvency position; (c) deal with the issues of intra-group transactions, exposure to risk and the suitability and professionalism of management at financial conglomerate level; and (d) prevent situations in which the same capital is used simultaneously as a buffer against risk in two or more entities which are members of the same financial conglomerate ("double gearing") and where a parent issues debt and downstreams the proceeds as equity to its regulated subsidiaries ("excessive leveraging").

EU member states had to provide that the provisions of this directive shall first apply to the supervision of accounts for the financial year beginning on January 1, 2005. In Belgium, the provisions of the Directive were implemented by the Law of June 20, 2005 and the Royal Decree of November 21, 2005. In The Netherlands, the provisions of the Directive implemented in the Financial Supervision Act (Wet op het financiel toezicht) that came into effect on January 1, 2007.

By letter dated March 1, 2007, the BFIC declared that Fortis qualifies as a financial conglomerate in the meaning given by the Directive and that the BFIC considers this financial conglomerate as headed by a consortium composed of two mixed financial holdings, Fortis SA/NV and Fortis N.V.

Banking

Basel Standards

The Basel Committee on Banking Supervision of the Bank for International Settlements developed international capital adequacy guidelines based on the relationship between a bank's capital and its credit risks, which were adopted by the Basel Committee in 1988 ("Basel I"). In June 1999, the Basel Committee proposed a review of these guidelines. In June 2004 the Basel Committee issued a Revised Framework for the International Convergence of Capital Measurement and Capital Standards ("Basel II"). The Basel II rules came into effect on January 1, 2007.

Basel II currently has, and will continue to have an impact on risk sensitivity, group structures, equity holdings in non-banks and retail exposures. See "*Operating and Financial Review and Prospects — Liquidity and Capital Resources — Bank Cash Flows — Basel II*".

European Union Standards

The EU has adopted a capital adequacy regulation for credit institutions in all its member states based on the Basel guidelines. The EU rules seek to harmonize banking regulations and supervision throughout the EU by setting minimum standards in key areas and require member states to give mutual recognition of each other's standards of regulation.

In 1989, the EC adopted the Council Directive of April 17, 1989 on the "own funds" of credit institutions (the "Own Funds Directive"), defining qualifying capital ("own funds"), and the Council Directive of

December 18, 1989 on a solvency ratio for credit institutions (the "Capital Base Ratio Directive"), setting forth the required ratio of own funds to risk-adjusted assets and off-balance sheet items.

In 1989, the Second Banking Coordination Directive established a framework for the mutual recognition of the supervision of banks in the EU member states, enabling a bank authorized in one EU member state to carry out activities in a branch or cross-border basis in other EU member states on the basis of a single license provided by the home country supervisory authority. The Investment Services Directive provided equivalent measure for securities firms carrying out investment business.

In 2000, the Own Funds Directive, the Capital Base Ratio Directive, the Second EC Banking Coordination Directive and certain other directives were consolidated in EC Directive 2000/12 and repealed. Directive 2000/12 was subsequently recast by Directive 2006/48/EC dated June 14, 2006. This Directive allowed for the Revised Framework for the International Convergence of Capital Measurement and Capital Standards issued by the Basel Committee on Banking Supervision to be transported into EU law (the "Basel II Directive).

Directive 2006/49/EC of June 14, 2006, established minimum capital standards for the investment and securities business of banks and investment firms (the "Capital Adequacy Directive").

The Basel II Directive and Capital Adequacy Directive have been consolidated in the Capital Requirements Directive which was adopted on June 14, 2006.

The Financial Conglomerates Directive of December 16, 2002 introduces supplementary supervision of financial conglomerates on a group-wide basis, and complements the existing sectoral supervision of credit institutions, insurance undertakings and investment firms (regulated entities) that are part of a financial conglomerate. Regulated entities in a financial conglomerate are subject to a supplementary supervision relating to capital adequacy, risk concentration, intra-group transactions, internal control mechanisms and risk management processes at the level of the financial conglomerate.

The Belgian and Dutch national laws implementing the Directives described above are discussed in "*— Regulation of Fortis's Banking Activities in The Netherlands — Solvency"* and *"Regulation of Fortis's Banking Activities in Belgium — Solvency Supervision"* below.

Regulation of Fortis's Banking Activities in Belgium

General

The banking regime in Belgium is governed by the Banking Law of March 22, 1993 (the "Belgian Banking Law") that, among other things, implements the European legislation as coordinated by EC Directive 2000/12 of March 20, 2000. The Belgian Banking Law sets forth the conditions under which credit institutions, including banks, may operate in Belgium and grants regulatory and supervisory powers to the BFIC. The main objective of the Belgian Banking Law is to preserve the strength and the solvency of each credit institution and the stability of the Belgian banking system in general. Supervision of Belgian credit institutions is the responsibility of the BFIC, an autonomous public agency. Its legal status and operation are determined by Chapter III of the Law of August 2, 2002 concerning the supervision of the financial sector and financial services.

Its competences include the following:

- to ensure the supervision of credit institutions, investment firms, investment advisers and exchange offices
- to ensure the supervision of undertakings for collective investment
- to ensure compliance with the rules aimed at protecting the interests of the investor in transactions in financial instruments, as well as the smooth running, integrity and transparency of markets in financial instruments
- to contribute towards compliance with the rules aimed at protecting savers and investors against the illegal offer or supply of financial products or services.

The Law of August 2, 2002 empowered the King to bring about an integration of the BFC and ISA and the Royal Decree of March 25, 2003 provided for the integration of the BFC and the ISA into the BFIC. Since January 1, 2004, BFIC is the single supervisory authority for the Belgian financial sector.

Chapter V of the Law of August 2, 2002 regulates the coordination of supervision of the Belgian financial sector and requires the BFIC and the NBB to work closely on all issues of common interest and in particular with regard to international cooperation in respect of prudential matters, inter-sectoral aspects of prudential policy, macro-prudential analyses and legal studies.

Two new official bodies are being charged with advancing the coordination of supervision:

- the Supervisory Board of the Financial Services Authority which will provide advice on matters relating to the organization, operation and coordination of the operation of the financial markets and of financial institutions;
- the Committee for Financial Stability which examines matters of common interest such as the stability of the financial system as a whole, the interactions between prudential supervision and supervision of the systematic risks or payment and settlement systems, deposit guarantees and the protection of investors. The Committee for Financial Stability (www.csf-cfs.be) was set up on July 31, 2003. It comprises all the members of the boards of directors of the BFIC and the NBB under the chairmanship of the Governor of the NBB and with the Chairman of the BFIC as vice-chairman.

Supervision of Credit Institutions

General

In its capacity as prudential supervisor, the BFIC ensures that credit institutions meet the authorization requirements and operating criteria as specified in the relevant laws and regulations. The BFIC is concerned with whether the credit institution has an appropriate management structure, adequate administrative and accounting procedures and suitable internal controls.

Licensing

All Belgian credit institutions must obtain a license from the BFIC before they may commence operations. In order to obtain and retain a license, each credit institution must fulfill numerous conditions, including certain minimum paid-up capital requirements (an initial paid-up capital of at least EUR 6,200,000).

Management

Belgian law and regulatory practices make a fundamental distinction between the management of banking activities, which lies within the competence of the Management Committee, and the supervision of this management and the definition of the credit institution's general policy, which must be entrusted to the board of directors. In order to ensure that such distinction is maintained, Belgian regulatory practices require a credit institution, its main shareholders and the BFIC to enter into a "*Protocole sur l'autonomie de la fonction bancaire*'/"*Overeenkomst over de autonomie van de bankfunctie*" to ensure the autonomy of the banking function. The protocol also requires the main shareholders of a credit institution to ensure the institution's autonomy and stability.

Shareholding Structure

Any shareholders (directly or indirectly acting in concert with third parties) holding 5% or more of the capital or the voting rights of the institution must be of "fit and proper" character (respond to the necessary professional standing and appropriate experience) to ensure proper and careful management. If the BFIC considers that the participation of a shareholder in a credit institution jeopardizes its sound and prudent management, the supervisory authority can suspend the rights attached to this participation and, if necessary, request the shareholder to transfer to a third-party its participation in the credit institution's capital. Prior notification to the BFIC is necessary each time a person intends to acquire a holding representing 5% of the capital or the voting rights or a multiple thereof. Furthermore, a shareholder who wishes to sell his participation or a part thereof, which would result in his shareholding dropping below any of the abovementioned thresholds, needs to notify the BFIC thereof one month in advance of such transfer. A Belgian bank is further under an obligation to notify the BFIC of any such transfer when it obtains knowledge thereof.

Reporting

Pursuant to the Belgian Banking Law, the BFIC may, in order to exercise its prudential supervision, require that all information with respect to the organization, functioning, condition and activities of a credit institution be reported to it. The BFIC may supplement these communications by on-site inspections. The

BFIC also exercises its comprehensive supervision of credit institutions through statutory auditors who collaborate with the BFIC in its prudential supervision. A credit institution selects its auditors from among the list of auditors or firms of auditors accredited by the BFIC.

The Belgian Banking Law requires credit institutions to provided detailed periodic financial information to the BFIC and to the NBB.

Compliance

If the BFIC finds that a credit institution is not operating in accordance with the provisions of the Belgian Banking Law, that its management policy or its financial position is likely to prevent it from honoring its commitments or that it does not offer sufficient guarantees for its solvency, liquidity or profitability, or that its management structure, administrative and accounting procedures or internal control systems present serious deficiencies, it will set a deadline by which the situation must be rectified. If the situation has not been rectified by the deadline, the BFIC has the power to appoint a special commissioner to replace management, to suspend or dispose of all or part of its activities, and finally, to revoke the license of the credit institution.

Solvency Supervision

Solvency regulations pursuant to the relevant EU directives and the internationally agreed recommendations of the Basel Committee on Banking Supervision, require Fortis Bank to maintain a minimum level of capital for the risk-weighted value of its assets, for market risks and operational risks. Solvency is measured with reference to the solvency ratio, which is calculated broadly by dividing own funds by risk-weighted assets. In addition to credit risk, market risk and operational risk are taken into account as well. The required minimum ratio is 8%. This ratio is referred to as the total capital ratio in Fortis reports.

Own funds consist of the following elements:

- Tier 1 capital, also referred to as "core capital";
- Tier 2 capital, also referred to as "supplementary capital", which is further subdivided into upper Tier 2 capital and lower tier 2 capital; and
- Tier 3 capital.

Tier 1 capital consists broadly of:

- Paid-up share capital;
- Reserves, excluding revaluation reserves (Unrealized Gains and losses);
- Balance of interim results (less expected dividends);
- Third-party interests.
- Tier one loans up to 15% of total tier 1.
- Other adjustments such as translation differences and shortfall of country risk provisions.

Tier 1 capital excludes intangible assets (Goodwill on subsidiaries)and some other items which are deducted from Tier 1 as well as 50% of shares representing more than 10% of the outstanding share capital of other banks or financial institutions

Upper Tier 2 capital consists broadly of:

- Debt instruments with an indefinite term and other financial instruments that meet certain specified criteria;
- Cumulative preference shares with an indefinite term; and
- 90% 0f positive revaluations on Available for sale Equities.

Lower Tier 2 capital consists broadly of:

- (Cumulative) preference shares with a fixed term; and
- Long-term subordinated liabilities that meet certain specified criteria.

Tier 3 capital consists of:

- Short-term subordinated liabilities.

The aggregate of Tier 2 and Tier 3 capital included in total capital may not exceed the amount of Tier 1 capital. Lower Tier 2 capital may not exceed 50% of the amount of Tier 1 capital. Tier 3 capital that is only allocated to support market risks may not exceed 200% of the amount of Tier 1 capital that is allocated to support market risks. The aggregate of the Tier 1, Tier 2 and Tier 3 capital, subject to the parameters described in the preceding two sentences, is considered "actual own funds".

If a bank holds shares representing an interest of more than 10% of the outstanding share capital of another bank or financial institution 50% of such equity must be deducted for Tier 1 purposes and 100% from total actual own funds. Subordinated loans and other capital instruments issued by such other bank or financial institution which qualify as actual own funds of such bank or financial institution, and which are held by a bank, must also be deducted from the latter's actual own funds.

If a bank holds shares in one or more other banks or financial institutions which, in the case of each investment, represent an interest of 10% or less of the outstanding share capital, or, if such bank does not hold shares but does hold other capital instruments of another institution, the aggregated value of the shares, capital instruments and subordinated liabilities and other financial instruments issued by such other banks and financial institutions which qualify as actual own funds of such banks and financial institutions, and which are held by the bank, shall be deducted from the latter's actual own funds to the extent such holdings exceed 10% of the bank's own funds.

On October 17, 2006, the BFIC issued a new regulation establishing capital requirements and capital adequacy ratios in implementation of the Basel II Directive and the European Directive 2006/48/EC (published in the Moniteur belge of December 29, 2006). The new solvency reporting requirements are further explained in the BFIC Circular of February 22, 2007 and will be applicable as of January 1, 2008.

The payment of dividends by Belgian credit institutions is limited indirectly through capital adequacy and solvency requirements by Belgian banking regulations and is also limited by the provisions of the Belgian Code of Companies.

In addition, each credit institution must become a member of the Depository Guarantee Fund (*Fonds de protection des dépôts et des instruments financiers/Beschermingsfonds voor deposito's en financiële instrumenten*) in order to provide investors with a minimum level of protection in the event of bankruptcy of the credit institution.

Exposure Supervision

No concentration of risks on a single enterprise or on enterprises that are part of the same group, may exceed a certain proportion of own funds.

For this purpose credit institutions must limit the amount of risk exposure to any single counterpart to 25% of total own funds and the total amount of concentrated risks to 800% of total own funds.

Belgian regulations also require that the credit institutions establish a general provision for country risks as determined periodically by the BFIC.

Belgian credit institutions may make equity investments in commercial and industrial companies. However, certain investments ("qualified participations") may not exceed: (i) 15% of the total capital of the credit institution on a per investment basis, or (ii) 45% of the total capital of the credit institution in the aggregate.

Regulation of Fortis's Banking Activities in The Netherlands

General

In The Netherlands, the banking activities of Fortis are subject to extensive regulations by the Dutch banking supervisor (DNB) and the Minister of Finance of The Netherlands.

The banking regulatory system in The Netherlands is a comprehensive system based on the Act on the Financial Supervision Act. This Act came into force on January 1, 2007, replacing certain other acts including the Act on the Supervision of the Credit System 1992 (Wet toezicht kredietwezen 1992) that had already implemented the relevant EU directives. In general, DNB is charged, among other things, with the prudential supervision of credit institutions in The Netherlands. No enterprise or institution can carry on the business of a credit institution in The Netherlands unless it has obtained prior authorization from DNB. To obtain such authorization, among other things (i) the bank must have a minimum equity (eigen vermogen) of EUR 5,000,000, (ii) the day-to-day policy of the bank must be determined by at least two persons; and (iii) the bank must have a board of supervisory directors of at least three members or a body of at least three members which has tasks similar to those of a board of supervisory directors.

The supervision activities of the DNB under the Financial Supervision Act focus on supervision of solvency, liquidity administrative organization, integrity and structure. If, in the opinion of DNB, a credit institution fails to comply with the Financial Supervisions Act and regulations thereunder, DNB will notify the bank and it may instruct the bank to behave in a certain manner. Additional supervisory measures are available to DNB including special measures allowing DNB to appoint a person (not publicly announced) to the bank with whom the bodies of the bank must cooperate and whose approval may be needed by the bodies of such credit institution for the exercise of their powers.

Fortis Bank Nederland (Holding) N.V. and Fortis Bank (Nederland) N.V. qualify as a "bank" under the terms of the Financial Supervision Act. The main provisions of the Financial Supervision Act and directives issued by DNB thereunder regarding solvency, liquidity, administrative organization and structural supervision are summarized below.

Solvency

The solvency regulations, in accordance with the relevant EU directives and the internationally agreed recommendations of the Basel Committee on Banking Supervision, require that Fortis Bank Nederland (Holding) N.V. and Fortis Bank (Nederland) N.V. maintain a minimum level of capital for the risk-weighted value of its assets and for market risks and operational risks. Solvency is measured with reference to the solvency ratio, which is calculated broadly by dividing own funds by risk-weighted assets. In addition to credit risk, market risk and operational risk are taken into account as well. The required minimum ratio is 8%. This ratio is referred to as the total capital ratio in Fortis reports. See "— *Regulation of Fortis's Banking Activities in Belgium — Solvency Supervision*" above for a description of the components of own funds.

The solvency regulations include specific rules with respect to large exposures to a single borrower or group of interconnected borrowers or in relation to certain other businesses that involve a concentration of risk.

Liquidity

The Financial Supervision Act and regulations thereunder set rules on the minimum liquidity to be held by banks. The regulations are aimed at ensuring that banks have adequate liquidity at their disposal to enable them to meet their short-term liabilities promptly and without significant losses. More particularly, the liquidity regulations seek to ensure that banks are in a position to cope with an acute short-term liquidity deficit.

Administrative organization and control

The Financial Supervision Act and regulations thereunder contain provisions on the organization and control of business processes at banks. The principle is that banks are responsible for organizing and controlling their business processes in such a way that their business is conducted in a controlled and integrated manner.

The regulations are designed to control the business process risks to which institutions are exposed, including the risks arising from non-compliance, or inadequate compliance, with regulations and from breaches of sound business conduct. In addition, the aim is to control integrity and solidity of the bank. The latter, in particular, concerns controlling financial risks and other risks that may affect the solidity of the bank, as well as maintaining the required financial safeguards. The principle is that the bank itself is responsible for drawing up procedures, rules and standards, for embedding these in the business processes and for monitoring their effectiveness and compliance therewith. The management board of the bank must ensure that this is achieved in practice.

The regulations focus on such elements as organizational measures, including division of tasks and the compliance function, recording of rights and obligations of the bank, reporting lines and information and communication systems.

The regulations aim at creating a framework which is to be expanded on by banks themselves. This approach allows scope for an interpretation that reflects appropriately the individual circumstances of a bank and new developments.

Structural supervision

The provisions of the Financial Supervision Act require prior approval for certain changes in the structure of banks.

Unless it has obtained a declaration of no-objection, a bank shall not:

- reduce its own funds by repayment of capital or distribution of reserves, or make disbursements from the item comprising the cover for general banking risks
- hold, acquire or increase an interest of 10% or more in a bank, financial institution, investment firm or insurance company where the balance sheet total of the acquired company is more than 1% of the consolidated balance sheet total of the bank
- hold, acquire or increase an interest of 10% or more in other companies (excluding the above) and the price paid (in total) is more than 1% of the consolidated group equity of the bank
- acquire all or a substantial part of the assets and liabilities of another enterprise or institution if the total amount of such assets or liabilities is more than 1% of the bank's consolidated balance sheet total
- merge with another enterprise or institution if the balance sheet total thereof is more than 1% of the bank's consolidated balance sheet total
- commence a financial or corporate reorganization or
- allow a managing partner to join the bank.

Supervision of Securities Business

The Financial Supervision Act, together with the decrees and regulations promulgated pursuant thereto, also provide a comprehensive framework for the conduct of securities trading in or from The Netherlands. It incorporates various EU directives including the Investment Services Directive and the Capital Adequacy Directive or successive directives.

In addition to regulating the offering of securities, the Financial Supervision Act prohibits, among other things, the offering and performance of brokerage services and portfolio management services without a license from the AFM. Banks that are licensed under the Financial Supervision Act can, under certain circumstances, be exempt from the license requirement. Nevertheless, certain regulations promulgated under the Financial Supervision Act are applicable with respect to the securities business of such licensed banks. These regulations among others comprise rules of conduct and provisions relating to the separation of funds.

Supervision of Investment Business

Through Fortis Investment Management Nederland N.V., an indirect subsidiary of Fortis Bank, Fortis is active in the areas of institutional asset management and management of investment funds. Both activities are subject to supervision by DNB and the AFM under the Financial Supervision Act.

Supervision of Trust Business

Through, inter alia, Fortis Intertrust N.V., Fortis is also active in the area of trust business. This activity is subject to supervision by DNB in accordance with the provisions of the Act on the Supervision of Trust Offices (*Wet toezicht trustkantoren*).

Regulation of Fortis's Banking and Related Activities in the United States

Fortis Investment Management USA Inc. is registered as investment advisers under the Investment Advisers Act of 1940. Many of the investment instruments managed by this financial services subsidiary, including a variety of mutual funds and other pooled investment vehicles, are registered with the SEC under the Investment Company Act of 1940. The investment advisory activities of this financial services subsidiary are subject to various U.S. federal and state laws and regulations. These laws and regulations relate to, among other things, limitations on the ability of investment advisers to charge performance-based or non-refundable fees to clients, record keeping and reporting requirements, disclosure requirements, limitations on principal transactions between an adviser or its affiliates and advisory clients, as well as general anti-fraud provisions, The failure to comply with these laws or regulations may result in possible sanctions, including the suspension of individual employees, limitations on the activities in which the investment adviser may engage, suspension or revocation of the investment adviser's registration as an adviser, censure and/or fines.

Fortis Securities LLC and Fortis Clearing Americas LLC are also registered with the SEC as broker-dealers under the Securities Exchange Act of 1934 and are subject to extensive regulation as such. In addition, some of these subsidiaries are members of, and subject to, regulation by self-regulatory organizations such as the National Association of Securities Dealers and the New York Stock Exchange. The scope of broker-dealer regulation covers matters such as capital requirements, the use and safekeeping of customers' funds and securities, advertising and other communications with the public, record-keeping and reporting requirements, supervisory and organizational procedures intended to assure compliance with securities laws and rules of the self-regulatory organizations and to prevent improper trading on material non-public information, employee-related matters, limitations on extensions of credit in securities transactions, and clearance and settlement procedures.

A particular focus of the applicable regulations concerns the relationship between broker-dealers and their customers. As a result, in some instances they may be required to make "suitability" determinations as to certain customer transactions.

Fortis conducts a banking business in the United States through its, New York and Connecticut branches ("Fortis Bank New York" and "Fortis Bank Connecticut"). Fortis Bank New York is licensed by the Superintendent of Banks in the State of New York under the New York Banking Law, and Fortis Bank Connecticut is licensed by the Connecticut Banking Commissioner under the Connecticut Banking laws. Fortis Bank New York is examined by the New York State Banking Department and the Board of Governors of the Federal Reserve Systems (the "Federal Reserve Board") and is subject to banking laws and regulations applicable to a non-U.S. bank that operates a New York branch. Fortis Bank Connecticut is examined by the Connecticut Banking Department and the Federal Reserve Board and is subject to banking laws and regulations applicable to a non-U.S. bank that operates a Connecticut branch.

Fortis Bank is also subject to federal regulation primarily under the International Banking Act of 1978, as amended (the "**IBA**"), and the amendments to the IBA made pursuant to the Foreign Bank Supervision Enhancement Act of 1991 (the "**FBSEA**"), and to examination by the Federal Reserve Board, in its capacity as Fortis Bank's U.S. "umbrella supervisor."

Pursuant to the IBA, the Bank Holding Company Act of 1956, as amended (the "**BHCA**"), imposes significant restrictions on Fortis Bank's U.S. non-banking operations and on Fortis Bank's worldwide holdings of equity securities of companies operating in the United States.

The Gramm-Leach-Bliley Act of 1999 (the "**GLBA**") substantially eliminated barriers separating the banking, insurance and securities industries in the United States. Under the GLBA, a non-U.S. bank that has effectively elected to become a financial holding company may conduct business activities, either directly or through its subsidiaries, that were previously prohibited for bank holding companies. Fortis Bank is a financial holding company under the GLBA. To qualify as a financial holding company, a non-U.S. bank is required to be well-managed and well-capitalized under the Federal Reserve Board's regulations and to elect to be treated as a financial holding company with the Federal Reserve Board. In the event of non-compliance with these criteria, a financial holding company may be required to discontinue newly authorized financial activities or, after a certain time period, to terminate authorized banking operations or to divest any commercial lending companies that it owns or controls.

The GLBA and the regulations issued thereunder contain certain other provisions that are relevant to Fortis Bank's U.S. banking operations. One such provision relates to the financial privacy of consumers. In addition, the so-called "push-out" provisions of the GLBA have narrowed and will narrow the exclusion of banks (including Fortis Bank New York) from the definitions of "broker" and "dealer" under the U.S. Securities and Exchange Act of 1934, as amended (the "**Exchange Act**"). The SEC granted a series of temporary exemptions that delayed the required implementation of these push-out provisions. The narrowed "dealer" definition took effect in September 2003. In connection with its rulemaking process, the SEC and the Federal Reserve Board have proposed new regulations to implement the "broker" provisions of the GLBA, but these regulations have not yet been adopted. As proposed, the "broker" regulations would provide for a transition period from the time the regulations are adopted for banks to comply with their requirements.

Under the IBA, the Federal Reserve Board may terminate the activities of any U.S. office of a non-U.S. bank if it determines that the non-U.S. bank is not subject to comprehensive regulation on a consolidated basis in its home country or that there is reasonable cause to believe that the non-U.S. bank or its affiliates have violated U.S. law or engaged in unsafe or unsound banking practice in the United States, and as a result of such violation or practice, the continued operation of the U.S. office would be inconsistent with the public interest or the purposes of federal banking law.

Fortis Capital Corp. is active in the private equity business. It provides investment management services and makes, manages and monitors private equity investments in unaffiliated companies and investment funds, and establishes and operates investment funds in which third-party investors make private equity investments. This subsidiary is subject to regulation by the Federal Reserve Board and the SEC.

Insurance

Regulation of Fortis's Insurance Activities in the European Union

EC directives, including the 1992 third life and non-life EC insurance directives, were implemented in Belgium and The Netherlands in July 1994. These directives are founded on the "home country control" principle, in which the ongoing regulation of insurance companies, including their foreign insurance operations, is the responsibility of the home country insurance regulatory authority. The home country regulatory authority monitors compliance with applicable regulations, the solvency of the insurer and its actuarial reserves, as well as the assets of the insurer that support such reserves. As a result of the implementation of these directives, an insurance company that has been licensed to conduct insurance business in one member state of the European Union may conduct business, directly or through foreign branches, in all other member states without being subject to licensing requirements under the laws of such member states.

In 1998, the EC Directive on the supplementary supervision of the insurance undertakings in an insurance group was adopted. This directive enables the insurance regulatory authorities involved to form a more sound judgment on the financial situation of insurance undertakings that are part of a group, in order to provide additional safety to policyholders. Furthermore, the directive aims to prevent distortion of competition and contribute to the safety of the financial markets.

As of December 31, 2006, the available funds to cover the solvency requirements for Fortis's insurance business, computed in accordance with EC Directives, was EUR 10,404 million. EC Directives require a minimum solvency of at least 16% of gross premiums written in the preceding year for Property & Casualty, and generally 4% of insurance reserves, plus 0.3% of the amount at risk under the life insurance policies for life insurers. The required solvency was EUR 4,080 million at December 31, 2006.

Regulation of Fortis's Insurance Activities in The Netherlands

The Dutch Central Bank (De Nederlandsche Bank) supervises financial institutions in the finance section. The Authority for Financial Markets (Autoriteit Financiele Markten) supervises the conduct of financial institutions. As from January 1, 2007, this supervision takes place under the mandate of the Financial Supervision Act. Fortis files its annual report with the supervisor and, in accordance with this law, Fortis's life and general insurance subsidiaries in The Netherlands file detailed annual reports. These reports are audited by Fortis's independent auditors and include:

- balance sheets
- profit and loss statements
- actuarial statements
- detailed descriptions of real estate, securities and other investments, mortgages, guarantees granted and received and private placement loans.

The technical provisions are prepared in accordance with Dutch GAAP, and are based on the "net level premium method". In common with many companies, Fortis defers and amortizes the variable acquisition cost of new business. Insurance companies are licensed initially by the DNB and monitored closely thereafter through annual filings. The authorization granted by the DNB stipulates classes of business that an insurer may write. In addition, the DNB may require an insurer to submit any other information that it requests and may conduct an audit at any time. The DNB is not empowered to intervene in the running of an insurance company, but can make recommendations with regard to its management. If these recommendations are not followed, the supervisor can publish them and, under certain circumstances, thereafter withdraw the license of the insurer.

Under the IISA 1993, general insurance companies are required to maintain shareholders' equity equal to not less than 16% of premiums written in the previous year, net of reinsurance but subject to other possible limitations. Life insurance companies are required to maintain equity of approximately 4% (subject to upwards adjustment depending on the risk profile of the relevant product) of actuarial reserves for non-linked products and approximately 1% for products where the investment risk is transferred to the policyholder.

In 1994, the supervisor also issued revised actuarial principles relating to the overall adequacy of technical reserves and the profitability of new products.

Regulation of Fortis's Insurance Operations in Belgium

Insurance activities are regulated in Belgium by the "Supervision Law" of July 9, 1975 (as amended by the Law of August 2, 2002 on the supervision of the financial sector and on financial services) and its implementing royal decrees, of which the most important one to date is the Royal Decree of February 22, 1991, entitled "general rules relating to the supervision of insurance undertakings".

The Belgian legislation and implementing royal decrees are intended to give effect to applicable European directives and to meet the requirements of European law. Accordingly, the legislation on insurance supervision establishes the framework under which Belgian, European (EEA) and foreign (non-EEA) insurance companies conduct their insurance business. The legislation and royal decrees impose obligations on Belgian insurance businesses and create a regime for enforcement.

The basic principles of the Belgian legislation include the following:

- No business may carry on any insurance activity in Belgium absent prior authorization from the BFIC.
- Under European and Belgian legislation, supervision of rates and contract terms occur retrospectively. Therefore, although there is no requirement for prior notification by insurance businesses of their rates and contract terms, the BFIC has the power to investigate and obtain information on rates and terms and to compel changes where it deems necessary. The BFIC generally reviews rates by sampling a product or category of products. For example, if the BFIC concludes, following a review, that a given contract is not in compliance with the statutory requirements, it may require cancellation or adjustments of the contract terms.
- European directives and Belgian legislation make a distinction between "life" insurance business and "non-life" insurance business. Subject to certain exceptions, an entity established under Belgian law that carries on a "non-life" insurance business is prohibited from carrying on at the same time a "life" insurance business.
- Each insurance company conducting business in Belgium is required to establish and maintain a solvency margin sufficient for its activities as a whole. In addition, each company is required to establish and maintain appropriate technical reserves or provisions enabling it to fulfill all its obligations arising from its insurance contracts.
- Transfers of insurance portfolios to other insurance companies require the prior approval of the BFIC.
- The Supervision Law also contains regulations governing the liquidation of an insurance business and relating to insolvency proceedings.

MANAGEMENT

Governance Structure

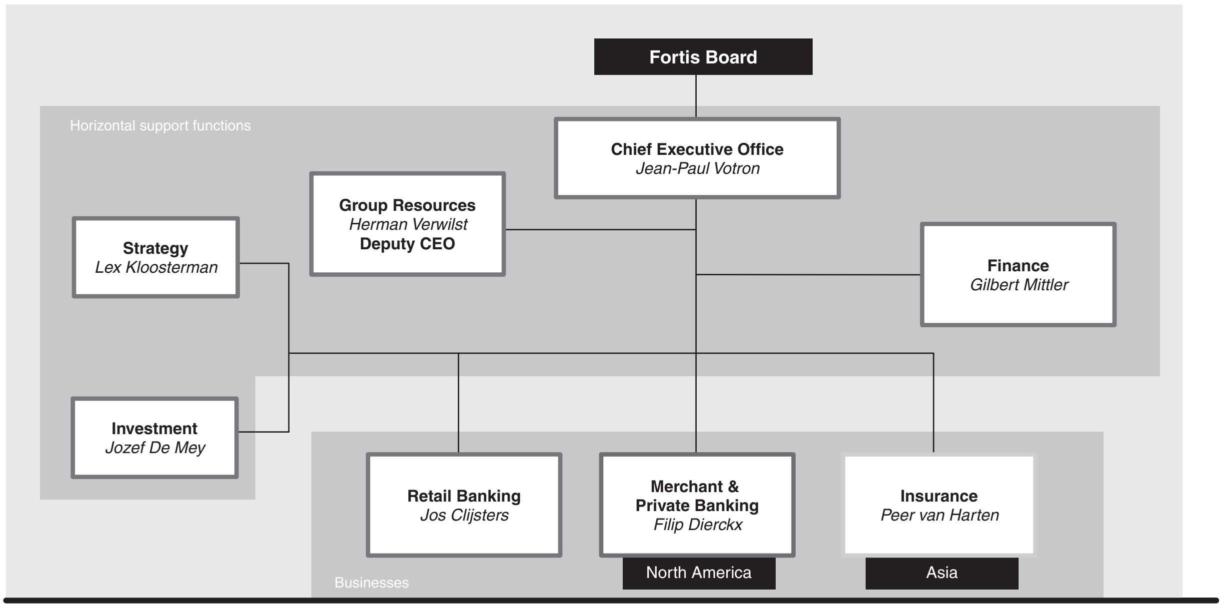
Administrative, management, supervisory bodies and senior management

Management structure

The management structure of Fortis provides unity of management within Fortis and contributes to management efficiency. This structure can be summarised as follows:

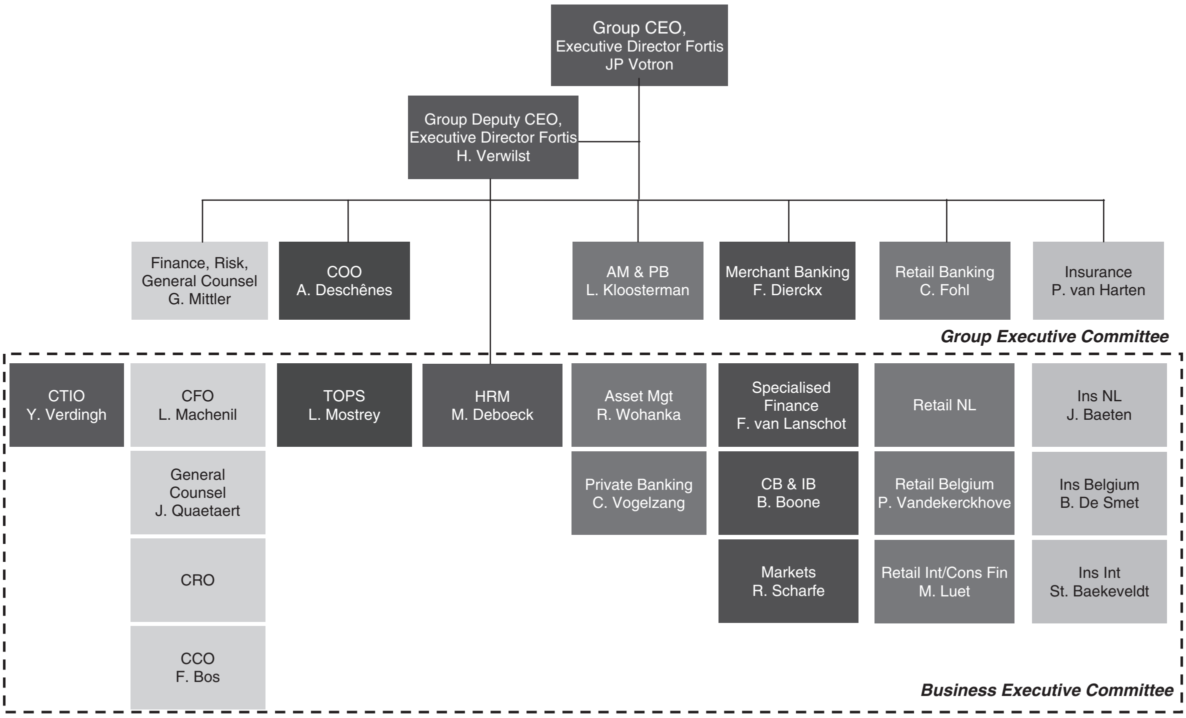
- one Board, with the Boards of Directors of Fortis SA/NV and Fortis N.V. composed of the same members with the Chief Executive Officer and the Deputy CEO as the only Board members holding an executive position;
- one Chief Executive Officer;
- one Executive Committee (to be renamed "Group Executive Committee" as of January 1, 2008), chaired by the Chief Executive Officer responsible for the day-to-day operations of Fortis, with members having overall responsibility for the businesses and support functions of Fortis; and
- from January 1, 2008, one Business Executive Committee, with members assisting the Group Executive Committee and responsible for their respective business and support functions.

The diagram below outlines Fortis's management structure as of the date of this Prospectus.



All members of the management shown in the table above are members of Fortis's Executive Committee.

As of January 1, 2008 Fortis's management structure will be as shown in the diagram below.



The Fortis Board of Directors

The Boards of Directors of Fortis SA/NV and Fortis N.V. comprise the same members and function as a single Fortis Board of Directors. The Fortis Board of Directors consists of a maximum of 17 members. The Fortis Board of Directors has at least two executive members, being the Chief Executive Officer and one other person entrusted with executive management functions at Fortis. There are currently 14 Directors.

No member of the Fortis Board of Directors has any other significant relationship with Fortis or is affiliated with a party that does have such a relationship with Fortis.

Members of the Fortis Board of Directors are appointed by the shareholders. Non-executive Directors are appointed for a maximum term of four years. The upper age limit for non-executive Directors is 70, although exceptions can be made in special circumstances. The upper age limit for the Chief Executive Officer is 60, which can be raised to 65.

Individual members of the Fortis Board of Directors are not automatically reappointed. The Nomination and Remuneration Committee evaluates the performance of members who wish to be considered for reappointment based on the proposal of the Chairman and then make a recommendation to the Fortis Board of Directors, which in turn submits the candidate's reappointment to the General Meeting of Shareholders. Finally, shareholders vote on whether or not to reappoint the proposed individual to the Fortis Board of Directors.

The Fortis Board of Directors is responsible for providing strategic direction for Fortis and for monitoring all of Fortis' affairs. The Fortis Board of Directors' composition, meetings and decision-making process are specified in the Board Terms of Reference. In principle, the Board has eight scheduled meetings each year. Additional meetings may be called with appropriate notice at any time to address specific needs of the business. The matters to be dealt with are incorporated in an overall annual agenda. The matters to be dealt with at each meeting are prepared in consultation between the Chairman and the Chief Executive Officer. Members of the Fortis Board of Directors receive the meeting documents at least five days before the meeting to enable them to prepare. In principle, decisions of the Fortis Board of Directors are taken by qualified majority voting. In practice, however, all decisions are taken unanimously and on a consensus basis.

Requirements regarding independence, competences and qualifications are formulated and reviewed from time to time by the Board of Directors, based on a proposal by the Chairman and supported by the Nomination and Remuneration Committee. Non-executive Board members are allowed to serve on the boards of other companies, and to take up other engagements or commitments, provided that those commitments (i) are outside Fortis, (ii) do not create actual or potential material conflicts of interest, and (iii) do not interfere with the Board member's ability to fulfil their duties as a Fortis Board member. Executive Board members are prohibited from occupying a position as a board member, be it executive or non-executive, in any listed company other than Fortis SA/NV and Fortis N.V., unless explicitly approved by the Board of Directors.

The composition of the Fortis Board of Directors is currently as follows:

Name	Position	Director Since	Term Expires	Principal Activities Performed outside Fortis
Count Maurice Lippens (1943)	Director Fortis Chairman Independent	1981	2008	Director GBL (Groupe Bruxelles Lambert), Director Belgacom, Chairman Compagnie Het Zoute, Director Iscal Sugar, Director Finasucre, Director Groupe Sucrier, Member Trilateral Commission, Member INSEAD Belgium Council
Jean-Paul Votron (1950)	Director Fortis Chief Executive Officer	2004	2008	Member Management Committee Federation of Enterprises in Belgium
Baron Piet Van Waeyenberge (1938)	Director Fortis Independent	1989	2008	Chairman De Eik N.V. Brussels, Chairman Indufin N.V. Brussels, Board member Suez Energy Services S.A, Board member Electrabel SA/NV
Klaas Westdijk (1941)	Director Fortis Independent	1996	2009	Chairman Supervisory Board ENECO Energie, N.V. Member Supervisory Board VastNed Groep N.V., Chairman Supervisory Board Connexxion Holding N.V., Member Supervisory Board FD Media Groep B.V.
Jan-Michiel Hessels (1942)	Vice-Chairman Director Fortis Independent	2001	2010	Chairman NYSE Euronext,, Member Supervisory Board Royal Philips Electronics N.V., Member Supervisory Board Heineken N.V. International Advisory Board Member Blackstone Group, Supervisory Board Chairman of SC Johnson Europlant N.V.
Baron Philippe Bodson (1944)	Director Fortis Independent	2004	2010	Director Compagnie Immobilière de Belgique, Chairman Exmar, Chairman Floridienne, Member CSFB Advisory Board Europe, Director Hermes Asset Management Europe Ltd., Director Cobepa/Cobehold
Richard Delbridge (1942)	Director Fortis Independent	2004	2009	Non-executive Director Tate & Lyle PLC, Non-executive Director JP Morgan Cazenove Holdings
Jacques Manardo (1946)	Director Fortis Independent	2004	2008	CEO and Chairman of the Board of Directors of GEM Group
Ronald Sandler (1952)	Director Fortis Independent	2004	2010	Executive Chairman Computacenter PLC, Chairman Kyte Group, Chairman Oxygen Group PLC, Chairman Paternoster Ltd.
Rana Talwar (1948)	Director Fortis Independent	2004	2008	Chairman Sabre Capital Worldwide, Non-executive Director Pearson PLC, Non-executive Director Schlumberger Ltd.
Clara Furse (1957)	Director Fortis Independent	2006	2009	Chief Executive London Stock Exchange, Board Member Euroclear PLC, Member Advisory Council of the Prince's Trust, Companion Chartered Management Institute, Member CBI President's Committee, Court Member Guild of International Bankers
Reinier Hagemann (1947)	Director Fortis Independent	2006	2009	Member of the Supervisory Board of EON Energie AG, Member of the Supervisory Board of Bayer Schering AG, Chairman German Advisory Board of Cerberus Capital Management
Aloïs Michielsen (1942)	Director Fortis Independent	2006	2009	Chairman Board of Directors Solvay Group, Board Member Miko N.V.
Herman Verwilst (1947)	Director Fortis Deputy Chief Executive Officer and Chief Operating Officer	2007	2010	Professor Extraordinary at the University of Ghent, Director Flemish Economic Association, Member Executive Committee and Board of Directors of the King Baudouin Foundation, Member Instituto de Empresa International Advisory Board, Madrid

The Board of Directors has decided to propose to the General Shareholders Meetings, to be held on April 29, 2008, to re-elect Jean-Paul Votron as executive director for a three-year term. The Board will propose to re-elect Jacques Manardo and Rana Talwar as non-executive directors for a three-year term. The Board will propose to re-elect Count Maurice Lippens as non-executive director for a four-year term.

The Boards of Directors of the sub-holding companies, Fortis Brussels SA/NV and Fortis Utrecht N.V., comprise the members of the Group Executive Committee of Fortis (see below) and are responsible for strategic and financial development and control, capital allocation and the representation of Fortis with external constituencies.

The business address of the members of the Fortis Board of Directors is Rue Royale/Koningsstraat 20, 1000 Brussels.

In relation to each of the members of the Fortis Board of Directors, the Issuers are not aware of (i) any convictions in relation to fraudulent offences in the last five years, (ii) any bankruptcies, receiverships or liquidations of any entities in which such members held any office, directorships, or partner or senior management positions in the last five years, or (iii) any official public incrimination and/or sanctions of such members by statutory or regulatory authorities (including designated professional bodies), or disqualification by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer for at least the previous five years.

Chief Executive Officer, Group Executive Committee and Business Executive Committee

Fortis Chief Executive Officer is responsible for the day-to-day management of Fortis, for formulating the strategic direction for the Group and for implementing these plans after the Fortis Board of Directors has approved them. The Chief Executive Officer is Chairman of the Executive Committee.

As of January 1, 2008, the former Executive Committee will become the Group Executive Committee and will be assisted by a newly-installed Business Executive Committee, with members whose main responsibility concerns the various businesses and enablers they lead and who are collectively responsible for the execution of the Fortis strategy and policy as defined by the Group Executive Committee.

Fortis Executive Committee (Group Executive Committee as of January 1, 2008), is responsible for the daily management of Fortis and implements Fortis strategy, proposes options for further development of Fortis to the Fortis Board of Directors, including acquisitions and dispositions, stimulates the cross-transfer of best practices and implements synergies within Fortis and manages capital allocation and target setting. Fortis Executive Committee meets twice a month according to a fixed timetable and on as many other occasions as Fortis interests require. Except for the Chief Executive Officer and the Deputy Chief Executive Officer, none of the members of the Group Executive Committee are also members of the Board of Directors. With the exception of the Chief Executive Officer, the Board of Directors appoints the Group Executive Committee members based on a proposal made by the Chief Executive Officer in consultation with the Chairman, and supported by the Nomination and Remuneration Committee. As a member of the Fortis Board of Directors, the Chief Executive Officer is appointed by the General Meeting of Shareholders at the recommendation of the Fortis Board of Directors.

As of January 1, 2008 the Group Executive Committee will consist of the following members who, with the exception of the Chief Executive Officer, are responsible for individual businesses and support functions.

Name	Position	Principal Activities Performed outside Fortis
Jean-Paul Votron	Chief Executive Officer and Executive Director. Audit reports directly to the CEO.	Member Management Committee Federation of Enterprises in Belgium
Herman Verwilst	Deputy Chief Executive Officer and Executive Director, responsible for Human Resources, Public and External Affairs and Business Transformation Office.	Professor Extraordinary at the University of Ghent, "Censor" at the National Bank of Belgium, Director Flemish Economic Association, Director Belgian Finance Federation (Febelfin), Member Executive Committee and Board of Directors of the King Baudouin Foundation, Member Instituto de Empresa International Advisory Board, Madrid
Gilbert Mittler	Responsible for Finance, Risk and General Counsel.	None
Filip Dierckx	Responsible for Merchant Banking	Member Board of Directors of various companies of the Group SD Worx, Member General Assembly Employers Association (Voka), Board member of Flemish Economic Association
Lex Kloosterman	Responsible for Private Banking, Asset Management, Investor Relations and Corporate Social Responsibility.	None
Camille Fohl	Responsible for Retail Banking and Global Branding and Communications	Member Chamber of Commerce Luxembourg, private mandate: Associé-Gérant FOGA SARL
Peer van Harten	Responsible for Insurance and Real Estate	None
Alain Deschênes	Responsible for Technology and Information Services, Operations, Facility, Purchasing and Process Improvement	None

As of November 1, 2007, Karel De Boeck resigned as member of the Group Executive Committee and was appointed vice-chairman of the Managing Board of ABN AMRO, where he chairs the Transition Management Committee.

The business address of the members of the Executive Committee is Rue Royale/Koningsstraat 20, 1000 Brussels.

In relation to each of the members of the Fortis Executive Committee, the Issuers are not aware of (i) any convictions in relation to fraudulent offences in the last five years, (ii) any bankruptcies, receiverships or liquidations of any entities in which such members held any office, directorships, or partner or senior management positions in the last five years, or (iii) any official public incrimination and/or sanctions of such members by statutory or regulatory authorities (including designated professional bodies), or disqualification by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer for at least the previous five years.

Supervisory bodies

Fortis Audit Services reports to the Audit Committee regarding Fortis internal control systems four times a year. In addition to the regular audits, specific topics are also audited every year.

External auditing is done jointly by KPMG Accountants N.V., a member of the *Koninklijk Nederlands Instituut van Registeraccountants* and PricewaterhouseCoopers Reviseurs d'Entreprises S.C.C.R.L., a member of the *Instituut der Bedrijfsrevisoren/Institut des Reviseurs d'Entreprises*.

Once a year Fortis Compliance reports on legal compliance to the Audit Committee.

As a bi-national, integrated financial services provider, Fortis is subject to different forms of internal and external supervision. Fortis' banking activities and investment services are organized on cross-border business lines, whereby the commercial core is in Belgium, The Netherlands or Luxembourg, depending on the business line. To ensure proper supervision of these cross-border activities, the relevant regulators (the CBFA in Belgium, the DNB in The Netherlands and the CSSF in Luxembourg) signed a Memorandum of Understanding on 29 March 2001. Fortis' insurance businesses are not cross-border and are therefore subject to national insurance supervision; given the merger of the insurance and banking regulators in both Belgium and The Netherlands, the regulation is also exercised respectively by the CBFA and DNB.

The respective supervisors in Belgium and The Netherlands (CBFA, DNB) are of the opinion that integration of the activities within a financial services company (or a financial conglomerate) gives rise to specific risks which require the separate banking and insurance supervision to be supplemented with comprehensive supervision at the group level. In February 2002, the supervisors agreed on a renewed Protocol (entitled "Framework for the exercise of the supplementary supervision of the Fortis Group") to provide for adequate supervision of Fortis.

Administrative, management, supervisory bodies and senior management conflicts of interests

No potential conflicts exist between any duties to Fortis of the Fortis' directors and executive committee members and their private interests and/or other duties.

Remuneration of Board of Directors

The remuneration is determined in view of the responsibilities of the non-executive directors and international market practice. The remuneration of non-executive directors comprises a fixed annual sum plus an attendance fee for each board Committee meeting. They do not receive any variable or profit-related compensation, option rights, shares or fees of any other kind. For the financial year 2006, remuneration of the non-executive directors came to EUR 1.8 million. One non-executive director holds option rights arising from his previous executive position. Several members of the Board of Directors hold Fortis shares.

Members of the Board of Directors have not been granted loans or credit other than those granted in the normal course of Fortis's financial operations on the same commercial terms as would apply to Fortis customers.

For more details, see Note 11 to the 2006 (pp. 100 to 101) Consolidated Financial Statements incorporated by reference herein.

CEO and Executive Managers Compensation

Fortis has entered into an employment agreement with Jean-Paul Votron, which contains the terms of his remuneration. Jean-Paul Votron's remuneration as CEO consists of a fixed base salary, a variable annual incentive and a variable long-term incentive received in option rights, restricted shares and cash. The level of the variable remuneration depends on factors such as individual performance, the performance of Fortis relative to predefined targets and the performance of Fortis relative to several businesses in the same sector. Jean-Paul Votron is also entitled to Stock Appreciation Rights at the end of his mandate. For additional information on Jean-Paul Votron's remuneration see Note 11 to the 2006 Consolidated Financial Statements.

The remuneration of the executive managers consists of a fixed basic salary, a variable annual incentive and a variable long-term incentive, which in 2006 was received partly as option rights and partly as cash and restricted shares. The variable remuneration depends on such factors as individual performance, performance of the business relative to predefined targets and Fortis's performance relative to several of its peers in the financial sector.

The executive managers also participate in a pension and insurance plan. The level of the variable remuneration depends on factors such as individual performance, the performance of the business compared to predefined targets and the performance of Fortis compared to several companies in the same sector. For 2006, total remuneration for the executives who were executive managers, during all or part of the year, was EUR 10.3 million. As part of the compensation for 2006, 233,760 options on Fortis shares and 160,110 restricted shares were granted to the executive managers. For more details, see Note 11 to the 2006 Consolidated Financial Statements.

Board practices

Information about members of the administrative, management or supervisory bodies' service contracts

Service contracts are entered into with all the members of the Executive Committee of Fortis. No other service contracts are entered into than the ones with the members of the Executive Committee.

The service contracts provide for the main characteristics of the status: the description of the components of the reward package, the expiration date (between 60 and 65 years), the termination clauses and various other clauses such as confidentiality and exclusivity. As from January 1, 2005, the contracts provide for a termination indemnity, in the case of termination without cause at the initiative of Fortis, which equals twice the amount of the base salary, respecting however commitments taken by Fortis before the date of January 1, 2005.

Hereunder, an overview is provided of the remuneration package of the Fortis Executive Managers.

The remuneration of the Executive Managers is determined by the Board of Directors, upon proposals by the Nomination and Remuneration Committee, in compliance with the prerogatives of the General Meeting of Shareholders.

Both the levels and structure of remuneration for Fortis Executive Managers are analysed on an annual basis. At the initiative of the Nomination and Remuneration Committee, Fortis remuneration competitive positioning is regularly reviewed by and discussed with a leading international firm of compensation and benefits consultants, in light of the practices of other major Europe based international financial services groups and other organizations operating on a global basis.

The remuneration of Executive Managers is designed to:

- ensure the organization's continued ability to attract, motivate and retain high calibre and high potential executive talent for which Fortis competes in an international market place;
- promote achievement of demanding performance targets in order to align the interests of executives and shareholders in the short, medium and long term; and
- stimulate, recognize and reward both strong individual contribution and solid team performance.

The reward package for the Executive Managers reflects a concept of integrated total direct compensation, combining the following three major components of pay: base salary, annual incentive (short-term performance related bonus) and long-term incentive.

In calibrating the various remuneration components, the objective is to position the overall remuneration levels in line with compensation practices of other leading multinational firms. The reference market is a combination of the financial industry on the one hand and all sectors taken together on the other hand, both at European level and at the level of Belgium and The Netherlands. For the remuneration review conducted in 2006, the primary reference market was composed of financial services organizations spread over seven European countries. The variable, performance related pay components are the dominant portion of the total compensation package of Executive Managers, i.e. total 'pay at-risk' in terms of targeted short and long-term incentives compensation levels represent at least 60% of the Executive Managers total compensation.

Base salary levels are intended to compensate the Executive Managers for their responsibilities and their particular set of competencies. These levels are set in line with general prevailing market rates for equivalent positions and are subject to regular annual reviews. There is, however, no mechanism for automatic adjustment.

The annual incentive is designed to stimulate, recognize and reward strong individual contribution by the Executive Managers as well as solid performance as head of or as team members within the Executive Committee. Payout under the annual incentive scheme is directly linked to the actual performance against a set of predetermined qualitative and quantitative performance objectives. The objectives are set on the basis of the overall Fortis and specific business strategy and annual objectives. The existing performance management system has three sets of objectives, each contributing a specific proportion to the Executive Manager's overall performance rating at the end of the year. These objectives cover the general and the leadership responsibility of the Executive Managers and the specific results to be achieved by each of them.

For each set of objectives, the performance is rated between one (does not meet expectations) and seven (exceptional). Based on these ratings and the overall outcome of the appraisal process, the actual individual annual incentive ranges in principle between one third (33%) and five thirds (167%) of the target incentive. Target annual incentive payouts are expressed as percentages of base salary and range between 70% and 100%, depending upon the position within the Executive Committee.

The long-term incentive plan is designed to:

- encourage and support the creation of shareholders' value and to ensure that the Executive Managers, like the shareholders, share in the company's successes and setbacks; and
- provide the opportunity for Executive Managers to receive, within their overall package, competitive rewards for performance as a result of sustained group performance over a longer period of time, to enable the organization to outperform a group of Fortis peers in the international market, and also to take into account the growth potential of the Fortis share.

Key features of the current long-term incentive plan are as follows:

- The initial target long-term incentive level is set by the Nomination and Remuneration Committee. It is determined as a percentage of annual base salary and ranges between 70% and 100%.
- Actual long-term incentive is recommended by the Nomination and Remuneration Committee on the basis of Fortis actual share performance relative to a peer group of Europe's top 30 financial institutions (as determined by market capitalisation. The share performance of Fortis and the companies in the peer group is divided into quartiles. Based on this relative performance position at the end of December, the Nomination and Remuneration Committee establishes a multiplier which varies between zero and two and depends on the quartile in which the Fortis share performance falls. Actual long-term incentive level recommended by the Committee is equal to the initial target long-term incentive multiplied by the multiplier. Actual long-term incentives may not exceed 200% of the target long-term incentive.

The long-term incentive is delivered as a mix of options, cash and/or restricted shares:

- The grant of options stipulates a strike price of 100% of the Fortis share market value at the time they are granted and an option term of six years. Options can be exercised during predetermined 'open periods' falling within a time frame ranging from the first day of the year following the third anniversary of the grant until the end of the option term. Neither the strike price nor the other conditions regarding the granted options can be modified during the term of the options, except in certain exceptional circumstances in accordance with established market practice.
- The long-term incentive in the form of restricted shares consists of the commitment, taken by Fortis, to grant a number of Fortis Shares at the end of a three year period, provided the professional relationship with Fortis has not been terminated prematurely, unless the Board of Directors decides otherwise. At the date of grant, the Executive Manager will be allowed to sell a maximum of 50% of those shares within 10 days in order to finance the tax liabilities associated with the grant.
- The unsold shares remain unsellable until six months after termination of the professional relationship between Fortis and the Executive Manager which emphasises the Executive Manager's long-term commitment.

The Executive Managers participate in Fortis pension schemes in either Belgium or The Netherlands. These schemes are in line with predominant market practices in the respective geographic environments. For the Chief Executive Officer it is a defined contribution plan. For the other Executive Managers it is a non contributory defined benefit plan. They provide retirement and pre and post retirement survivors' pensions or their lump sum equivalent. Target defined pensions, including state pensions, are set at percentages of base salary and may not exceed 80% of the latter salary. Other benefits, such as medical and other insurance coverage, are provided in line with competitive practices in the market where the Executive Manager is employed.

It is anticipated that, in normal business circumstances, the remuneration policy as described above will be pursued in the following years.

In accordance with the Dutch law, entered into force on October 1, 2004, the Remuneration Policy for Fortis Board members was approved by the General Shareholders Meeting of Fortis N.V. on October 11, 2004. This meeting also determined the maximum number of options and restricted shares that can be attributed to the Chief Executive Officer under the long-term incentive scheme. Any amendments to this policy that the Board might consider important to make will in the future be subject to the approval of the General Meeting of Shareholders of Fortis N.V.

With respect to the Executive Managers who are not members of the Board, the Board has decided to adopt the same Remuneration Policy as the one applicable for the executive Board members. The Board has the authority to amend the Remuneration Policy for these Executives as it sees fit, on the basis of recommendations made by the Nomination and Remuneration Committee. In the event of any such amendments, appropriate comments on them will be drawn up and included, at the latest in the first annual report published after the amendments were adopted.

Compensation of the Chief Executive Officer, who is also a Board member, is related exclusively to his position as Chief Executive Officer. This compensation has been set in conformity with the remuneration policy approved on October 11, 2004 by the shareholders meeting of Fortis N.V. This policy states, in particular, that the effective annual incentive can, in principle, not exceed the target incentive (100% of the base salary) by more than two thirds. Considering the outstanding achievements of Fortis under Mr Votron's leadership in 2006, the Board has decided to set the 2006 annual incentive of Mr Votron at EUR 2.0 million. Mr Votron's current contract will expire after the 2008 Annual General Meeting of Shareholders, but no later than May 31, 2008. Should Fortis terminate the contract prematurely, Mr Votron will receive a gross sum equal to no more than twice the amount of his base salary. Mr Votron will receive no payment if the contract is terminated prematurely due to gross negligence or an intentional act.

Information about the Fortis' committees

The Fortis Board of Directors may institute from among its members all committees that it considers useful. The Board rules govern the composition and responsibilities of these committees.

Currently, the Fortis Board of Directors has established three committees: the Nomination and Remuneration Committee, the Audit Committee and the Risk and Capital Committee. As a general principle, the Board Committees have an advisory function to the Board.

Each of Fortis SA/NV and Fortis N.V. comply with the corporate governance regime of Belgium and The Netherlands, respectively, except that Fortis N.V. deviates from the Tabaksblat Code in certain respects as set forth below in the "— Corporate Governance Statement" section.

Risk and Capital Committee

The members of the Risk and Capital Committee are Philippe Bodson, Clara Furse, Aloïs Michielsen and Piet Van Waeyenberge. The role of this Committee is to assist the Board in understanding the risks run by Fortis, in overseeing the proper management of these risks and in ensuring the adequacy of Fortis capital.

Nomination and Remuneration Committee

The members of the Nomination and Remuneration Committee are Maurice Lippens (Chairman), Jacques Manardo and Rana Talwar. The role of this Committee is to assist the Board in all matters relating to the appointment and remuneration of Board members and Executive Managers, and in those matters regarding the governance of the group on which the Board or the Chairman wishes to receive the Committee's advice.

Audit Committee

The members of the Audit Committee are Klaas Westdijk (Chairman), Richard Delbridge, Reiner Hagemann and Ron Sandler. The role of this Committee is to assist the Board in fulfilling its supervision and monitoring responsibilities in respect of internal control in the broadest sense within Fortis, including internal control over financial reporting.

Corporate governance statement

The Fortis international structure, headed by two listed parent companies, one Dutch and one Belgian, means it has to comply with two corporate governance systems that refer to two separate codes. While the principles underlying these codes are largely similar, there are a number of differences too.

Because of the specific cross-border context in which Fortis operates, we have developed our own 'single tier' governance structure, while naturally observing all the relevant Belgian and Dutch legal requirements. The structure is described in detail in the Fortis Governance Statement to ensure optimum transparency and to demonstrate its internal coherence. What follows, therefore, is limited to those aspects of corporate governance at Fortis that require additional explanation in the light of the Belgian (Lippens) or Dutch (Tabaksblat) Codes.

Fortis SA/NV and the Lippens Code

The Lippens Code came into force on January 1, 2005. It applies to all companies incorporated under Belgian law the shares of which are traded in a regulated market. The Code uses the 'comply or explain' concept, which means that if a company chooses to deviate from any of the Code's principles, it must explain its reasons for doing so in the 'Corporate Governance' section of its annual review.

Fortis SA/NV stated in the 2005 Fortis Annual Accounts and reported to shareholders in May 2006, that it applies all the Code's main principles. Two items require more detailed explanation:

Principle 2.3: Independence of directors

The Lippens Code states that: "To be considered independent, a director should be free from any business, close family or other relationship with the company, its controlling shareholders or the management of either that creates a conflict of interest such as to affect that director's independent judgment." The phrasing of this principle generally requires little comment. Questions may be raised, however, regarding its implementation and the way specific criteria in respect of a director's independence are formulated. The Lippens Code, the Tabaksblat Code, Article 524 of the Belgian Companies Code and the recommendation of the European Commission of February 15, 2005, for instance, all set out independence criteria which, if not actually contradictory, nevertheless differ from one another. For that reason, we have opted for our own criteria at Fortis SA/NV, as set out in our Governance Statement. These match those of the Lippens Code, with the exception that Fortis SA/NV considers it necessary to limit to listed companies the restrictions on cross-directorships.

Principle 7.18

The annual report should disclose the main contractual terms of hiring and termination arrangements with executive managers. The remuneration policy for Fortis SA/NV directors and Executive Committee members — described in detail in Note 11 of the 2006 Consolidated Financial Statements — sets out the main terms included in our contracts with executive managers. This policy states that, in future, executive managers will receive compensation equal to twice their base salary in the event that a contract is dissolved on Fortis SA/NV's initiative. However, any existing contracts, concluded earlier and in specific circumstances, will be honored.

Fortis N.V. and the Tabaksblat Code

Since 2004, listed companies incorporated under Dutch law have been legally required to declare in their annual financial statements that they have adhered to the Tabaksblat Code, or to explain any instances in which they have deviated from it. Accordingly, Fortis N.V. stated in its Annual Reports for 2004 and 2005 that the principles and best practice provisions of the Tabaksblat Code had been met in those financial years, with certain substantiated exceptions. Fortis N.V.'s respective statements were discussed at the Annual General Meetings of Shareholders in May 2005 and May 2006.

The Annual General Meetings of Shareholders of May 2006 endorsed the view of the Board of Directors that the re-election of Klaas Westdijk as non-executive Board Member for a period of three years (i.e. until the end of the Annual General Meetings of Shareholders of 2009) would be in Fortis N.V.'s interest and that this re-appointment, leading to a maximum term of appointment of more than 12 years, did not affect the independence of Mr Westdijk. The Annual General Meetings of Shareholders thus resolved not to abide by the maximum term of office (12 years) generally recommended by the Tabaksblat Code (Best Practice provision III.3.5).

The Meeting also approved the decision — contrary to Best Practice II.2.6 of the Tabaksblat Code — not to publish on the Fortis website the amended internal regulations related to insider trading, as these regulations are numerous and tailored to highly specific local and/or business requirements. In line with the objectives set by the Tabaksblat Code, the Fortis Governance Statement contains a Policy Statement summarising the principles and guidelines on the use of inside information and private investments to be adhered to by all Board members, other senior managers, officers and employees worldwide.

Bearing in mind the points expressed above, Fortis N.V. complied in 2006 with the principles and best practice provisions of the Tabaksblat Code — subject to the following qualifications and exceptions which have not changed since the financial year 2005.

Qualifications

The aim at Fortis N.V. is to comply with the Tabaksblat Code to the maximum possible extent. It should be pointed out that not all of the Code's provisions can be met. Some of them conflict with the internal coherence of Fortis governance structure, which has been carefully developed over the years to meet the challenges facing a bi-national group. What's more, our single-tier Board structure creates a specific framework that is not customary in The Netherlands and which did not function as the primary frame of reference for the drafting of the Tabaksblat Code.

When applying the Code, therefore, Fortis N.V. has been obliged to translate the various provisions to fit their single-tier structure. Provisions aimed at the Supervisory Board or the Management Board have thus been applied to Fortis N.V.'s Board of Directors, while provisions for individual members of the Supervisory Board have been applied to Fortis N.V.'s non-executive directors and provisions for individual members of the Management Board to Chief Executive Officer.

Some provisions could not, however, be translated into the Fortis context. These include the rules regarding a "delegated supervisory board member" and a "supervisory board member who temporarily takes on the management of the company" (III.6.6 and III.6.7, respectively, of the Tabaksblat Code). These provisions are geared specifically to supervisory board members and the supervisory tasks they perform, and so cannot be reconciled with the single-tier board model.

Similarly, the provision that the Chairman of the Board may not have held an executive position at the company (III.8.1) is an anomaly in the context of a single-tier board model, the essence of which is precisely to combine the expertise of executives and non-executives in one and the same decision-making body. Fortis N.V.'s Chairman and co-founder, Maurice Lippens, was Co-chairman of both the Board and Executive Committee until 2000. Since 2000, he has been a non-executive Board Member and Chairman of the Board.

The Annual General Meetings of Shareholders of May 2005 shared the view of the Board of Directors that the proposed re-election of Fortis N.V.'s Chairman, Maurice Lippens, for a period of three years (i.e. until the end of the 2008 Annual General Meetings of Shareholders) would be in Fortis' interest, notwithstanding the maximum term of appointment (12 years) generally recommended by the Tabaksblat Code (Best Practice provision III.3.5).

Several provisions of the Tabaksblat Code do not, moreover, apply to Fortis N.V. This is the case with the following sections: II.2.1 (share options as a conditional remuneration component for Management Board members — Fortis N.V. does not offer such options), III.2.1 (all Supervisory Board members, with the exception of not more than one person, shall be independent — III.8.4 sets out the rule as it applies to Fortis N.V.), IV.1.2 (voting right on financing preference shares — Fortis N.V. does not have this type of preference share) and IV.2 — IV.2.8 (depositary receipts for shares — Fortis N.V. does not issue this type of depositary receipt). These provisions have not, therefore, been taken into consideration.

With regard to section III.3.5, the view has been taken that Fortis N.V.'s rule that nobody may serve as a director for more than 12 years, with no individual term exceeding four years, does not materially deviate from the Code's requirement of a maximum of three terms of four years each. Lastly, the provisions regarding the 'remuneration committee' and the 'selection and appointment committee' have been interpreted as applying to our Nomination and Remuneration Committee, since this body combines the strongly interrelated selection, appointment and remuneration functions at Fortis N.V.

Exceptions

("**BP**" refers to the 'Best Practice' sections of the Tabaksblat Code.)

- BP II.1.6: The Management Board shall ensure that employees have the possibility of reporting alleged irregularities of a general, operational and financial nature in the company to the chairman of the Management Board or to an official designated by him, without jeopardising their legal position. Alleged irregularities concerning the functioning of Management Board members shall be reported to the chairman of the Supervisory Board.

- Fortis N.V. has introduced a whistleblower procedure (Fortis Internal Alert System), but this has not been published on the website. The procedure is intended solely for Fortis employees; external publication would not enhance its effectiveness, but could have undesirable repercussions in countries where procedures of this nature run up against legal and/or cultural objections.

- BP II.2.3: Shares granted to Management Board members without financial consideration shall be retained for a period of at least five years or until at least the end of the employment, if this period is shorter.

- Under the long-term incentive plan, shares can be awarded only to the Chief Executive Officer. He may sell up to 50% of the shares in order to pay the tax incurred on them. The remaining shares may not be sold until six months after his relationship with Fortis N.V. has ended.

- BP III.1.7: The Supervisory Board shall discuss at least once a year on its own, i.e. without the Management Board being present, both its own functioning and that of its individual members.

Fortis Board of Directors regularly reviews its own performance in an appropriate manner, but not necessarily on an annual basis. The Nomination and Remuneration Committee evaluates the individual Board members.

- BP III.5.11: The remuneration committee shall not be chaired by the chairman of the Supervisory Board or by a former member of the Management Board of the company, or by a Supervisory Board member who is a member of the management Board of another listed company.

The Chairman of the Board of Directors at Fortis is responsible for the proper functioning of the Board of Directors and for initiating all processes relating to this. These include ensuring a Board of Directors line-up that is geared to the needs of the organization and also entail his playing a leading role in the Nomination and Remuneration Committee.

Employees

Number of employees and breakdown of persons employed by main category of activity and geographic location

This Section provides an overview of the number of persons employed by the Fortis Group. The tables set forth below provide a break down by geographic location and by business:

Breakdown of full-time equivalents ("FTEs") by goegraphic location (at December 31)	2004	2005	2006
Belgium	23,975	22,778	23,056
The Netherlands	12,690	12,434	12,382
Turkey	7	4,654	4,775
United Kingdom	2,812	3,497	3,386
France	2,605	2,820	2,811
Luxembourg	2,580	2,602	2,731
Poland	887	1,016	1,424
Germany	232	657	1,274
Other Countries	2,471	3,787	5,047
Total	**48,259**	**54,245**	**56,886**

Breakdown of full-time equivalents ("FTEs") by category of activity (at December 31) Business Line	2004	2005	2006
Retail Banking	14,249	14,186	17,031
COO	10,416	10,145	11,733
Insurance Belgium	3,436	5,003	5,182
Commercial and Private Banking	5,535	6,119	8,024
Merchant Banking	3,908	4,159	4,995
Insurance Netherlands	4,809	4,652	4,210
Insurance International	4,006	3,428	3,714
CEO	1,078	5,690	1,033
CFO	790	823	872
Asset and Liability Management	32	40	60
CIR	—	—	31
Total	**48,259**	**54,245**	**56,886**

EMPLOYEE STOCK AND OPTION PLANS

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

- Employee share options
- Shares offered at a discount
- Restricted shares

Employee share options

Each year, Fortis decides whether or not to offer options to its employees. In recent years Fortis offered options on Fortis shares to its senior managers in order to strengthen their commitment to Fortis and to align their interests. The features of the option plans may vary from country to country depending upon local tax regulations or local regulatory concerns.

At December 31, 2006 the following plans, including options granted to directors and members of the Executive Committee, were in effect:

	December 31, 2006			
Lapsing Year	Outstanding Options	Weighted Average Exercise Price	Highest Exercise Price	Lowest Exercise Price
	(in 000s)	(in EUR)	(in EUR)	(in EUR)
2007	1,983	33.99	37.57	18.60
2008	1,369	32.59	34.70	25.18
2009	11,264	29.12	38.40	14.86
2010	4,956	34.19	34.70	18.29
2011	680	22.84	25.18	22.28
2012	1,433	27.17	31.75	25.18
2013	2,779	14.73	14.86	14.54
2014	2,793	18.03	18.29	17.66
2015	2,821	22.16	22.28	21.99
2016	3,687	29.39	29.48	29.25
Total	33,765	27.43		

	December 31, 2005			
Lapsing Year	Outstanding Options	Weighted Average Exercise Price	Highest Exercise Price	Lowest Exercise Price
	(in 000s)	(in EUR)	(in EUR)	(in EUR)
2007	802	31.93	38.40	29.81
2008	2,029	33.67	37.57	18.60
2009	1,394	32.60	34.70	25.18
2010	12,856	29.08	38.40	14.86
2011	4,957	34.19	34.70	18.29
2012	680	22.84	25.18	22.28
2013	1,311	26.12	31.75	25.18
2014	2,779	14.73	14.86	14.54
2015	2,793	18.03	18.29	17.66
2016	2,821	22.16	22.28	21.99
Total	32,422	27.34		

	2006		2005		2004	
	Number of Options (in '000)	Weighted Average Exercise Price	Number of Options (in '000)	Weighted Average Exercise Price	Number of Options (in '000)	Weighted Average Exercise Price
Balance at January 1	**32,422**	**27.34**	**32,018**	**28.65**	**35,253**	**28.24**
Options granted to Executive Committee Members	234	29.48	272	22.28	59	18.29
Options granted to other employees	3,830	29.39	3,097	22.16	2,888	18.02
Exercised options	(2,223)		(36)			
Lapsed	(498)		(2,929)		(6,182)	
Balance at December 31	**33,765**	**27.43**	**32,422**	**27.34**	**32,018**	**28.65**
On existing Fortis shares	2,765		2,483		1,920	
On new Fortis shares	31,000		29,939		30,098	
Of which are conditional	11,179		4,902		5,042	
Of which are unconditional	22,586		27,519		26,976	
Exercisable in the money	12,687	29.10	290	17.67	227	18.60
Exercisable out of the money	7,424	34.89	19,478	31.89	21,139	32.28

In 2006 Fortis recorded EUR 16 million as staff expenses with respect to the option plans (2005: EUR 7 million; 2004: EUR 5 million). As long as they are not exercised, the options do not have an impact on shareholders' equity, as the expenses recorded in the income statement are offset by an increase in shareholders' equity. When the options are exercised, shareholders' equity is increased by the exercise price.

The options granted by Fortis are 7-year American at-the-money call options which value is based on the Simple Cox model. For Executive Committee members, the exercise price may be above market value.

The parameters below were used to calculate the fair value of the options granted.

	2006	2005	2004
Date of grant of options	March 31, 2006	April 11, 2005	April 12, 2004
First exercise date	April 3, 2011	April 11, 2010	April 13, 2009
Final maturity	April 3, 2016	April 10, 2015	April 12, 2014
Dividend yield	5.13%	5.00%	5.06%
10-year interest rate	3.74%	3.80%	4.02%
Share price on date of grant (in EUR)	29.48	21.84	18.29
Volatility	24.80%	23.27%	25.60%
Fair value of options as % of exercise price	16.01%	15.36%	17.02%

All option plans and restricted share plans (see "— *Restricted Fortis Shares*" below) are settled by the delivery of Fortis Shares rather than in cash. Some option plans and restricted share plans specifically state that existing Fortis Shares must be delivered upon exercise. New Fortis Shares may be issued in other cases.

Fortis Shares are repurchased in anticipation of options being exercised in order to meet the obligation to deliver existing Fortis Shares. Fortis had 1,072,126 shares in portfolio for this purpose at year end 2006 (December 31, 2005: 1,388,868 shares). It is assumed that this will be sufficient to meet delivery requirements. The Fortis Shares in question have been deducted from shareholders' equity.

Shares offered to staff

In 2002, 2003 and 2004 Fortis offered its staff the opportunity to buy shares at a discount. The terms of the offer varied from country to country, depending on local tax regulations. In all cases shares, however, could not be sold until five years after purchase. No shares were offered to staff in 2005 and 2006.

The following table provides an overview of the shares allocated to staff at a discount:

	2004	2003	2002
		(number of shares in 000s)	
Number of shares subscribed	2,904	2,821	1,752
Share price		12.23 (95 shares)	22,03 (237 shares)
		12.04 (2,726 shares)	20,14 (1,515 shares)
End of holding period	November 2, 2009	November 3, 2008	June 8, 2007

In 2004, EUR 9 million of the total staff expenses for Fortis was related to this scheme.

Restricted Fortis Shares

In 2006, as in previous years Fortis committed itself to grant restricted shares to the members of the Executive Committee and the management committees of several Fortis companies. The conditions for granting and selling these restricted shares are the same as in prior years and are described in Note 11 to the 2006 Consolidated Financial Statements.

At December 31, 2006, the following commitments for the grant of restricted shares were taken:

	Total	2006	2005	2004
		(number of shares in 000s)		
Number of commitments to grant restricted shares	1,005[(1)]	253	406	101
End of holding period		April 2, 2009	April 11, 2008	April 12, 2007

(1) Total includes restricted shares granted before 2004.

The total value of commitments for restricted Fortis Shares granted during 2006 is EUR 7 million; such amount is included in staff expenses (2005: EUR 4 million; 2004: EUR 2 million).

The table below shows the changes in commitments for restricted shares during 2006 and 2005.

	2006	2005
	(number of shares in 000s)	
Number of restricted Fortis Shares committed to grant at January 1	752	346
Restricted shares committed to grant	253	406
Restricted shares sold	(66)	
Commitments to restricted Fortis Shares lapsed	(179)	.
Number of restricted Fortis Shares committed to grant at December 31	760	752

Pension, retirement or similar benefits

The total amounts set aside or incurred by Fortis or its subsidiaries to provide pension, retirement or similar benefits, are included in Note 9 of the 2006 Consolidated Financial Statements.

Related party transactions

Parties related to Fortis include associates, pension funds, joint ventures, Board members (non-executive and executive members of the Fortis Board of Directors), Executive Managers (the Chief Executive Officer and the members of the Executive Committee), close family members of any individual referred to above, entities controlled or significantly influenced by any individual referred to above and other related entities.

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

The remuneration and combined shareholdings of Board members and Executive Managers are described in "— *Remuneration of Board of Directors*" above. At December 31, 2006, there were no outstanding loans made by Fortis to Board members. Credits, loans or bank guarantees in the normal course of business may be granted by Fortis companies to Executive Managers or to close family members of the Board members and close family members of Executive Managers.

The total outstanding amount at December 31, 2006 relating to loans, credits and guarantees granted to Executive Managers or to close family members of the Board members and close family members of Executive

Managers, was EUR 9 million. The terms and conditions of these transactions are entered into on the basis of the same commercial and market terms that apply to non-related-parties, including employees of the company.

The tables below provide an overview of the transactions entered into and the amounts outstanding with the following related parties for the year ended December 31, 2006:

- Associates and joint ventures;
- Other related parties such as pension funds and significant minority shareholders in associates.

	2006			2005		
	Associates and Joint Ventures	Other	Total	Associates and Joint Ventures	Other	Total
	(in EUR million)					
Income and expenses — Related parties						
Interest income	34	4	38	34	4	38
Interest expense	(26)	(10)	(36)	(23)	(1)	(24)
Fee and commission income	12		12	19		19
Realised gains	3		3			
Other income	30	5	35	20	4	24
Fee and commission expense	(24)	(4)	(28)	(21)	(3)	(24)
Operating, administrative and other expenses	(3)	(81)	(84)	(2)	(111)	(113)
Balance sheet — Related parties						
Investments in associates	162	965	1,127	167	786	953
Due from customers	477		477	426	3	429
Due from banks	15	104	119	17	108	125
Other assets	16	31	47	20	29	49
Due to customers	75	4	79	100	2	102
Due to banks	388	6	394	478	115	593
Debt certificates, subordinated liabilities and other borrowings	139		139	139		139
Other liabilities	13	267	280	9	276	285

With respect to related parties, Fortis granted the following guarantees and irrevocable and conditional commitments:

- EUR 137 million with respect to guarantees given to related parties;
- EUR 71 million with respect to guarantees obtained from related parties;
- EUR 114 million with respect to unconditional and conditional commitments to related parties.

The changes in related party loans, receivables and advances during the year ended December 31 were as follows:

	Due from Banks		Due from Customers	
	2006	2006	2006	2005
Related party loans, receivables or advances at January 1	126	108	447	647
Acquisitions/divestments of subsidiaries			(18)	
Additions or advances	18	18	113	80
Repayments	(24)		(48)	(280)
Related party loans, receivables or advances at December 31	120	126	494	447
Impairments at January 1	1	1	18	16
Change in impairments			(1)	4
Recoveries				(2)
Impairments at December 31	1	1	17	18
Related party loans, receivables or advances at December 31	119	125	477	429

	Due to Banks		Due to Customers	
	2006	2006	2006	2005
Related party loans, receivables or advances at January 1	593	1,088	102	30
Acquisitions/divestments of subsidiaries			(2)	
Additions or advances	54	58	466	462
Repayments	(253)	(553)	(487)	(390)
Related party loans, receivables or advances at December 31	394	593	79	102

SHAREHOLDING

The table below shows the shareholders of Fortis with participation equal to or exceeding 3% as of November 30, 2007.

	At November 30, 2007
Ping An Insurance (Group) Company of China, Ltd.	4.18%
Stichting VSB Fonds Utrecht	3.0%

CERTAIN TAX CONSIDERATIONS

The following is a general description of certain tax consequences of purchasing, owning and disposing of CASHES and of holding the Underlying Shares. Prospective purchasers of the CASHES should consult their own tax advisers as to the applicable tax consequences of the ownership of CASHES and the holding of the Underlying Shares based on their particular circumstances.

Belgium Tax Considerations

The following is a general description of the principal Belgian tax consequences of the purchase, ownership and disposition of the CASHES issued by Fortis Bank and of the holding of the Underlying Shares, and does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the CASHES or hold the Underlying Shares. Except as otherwise indicated, this general description addresses the taxation of investors who do not have any connection with Belgium other than the holding of the CASHES and/or the Underlying Shares. This general description is based on the tax laws and practice of the Kingdom of Belgium in effect on the date of this offering memorandum, which are subject to change, potentially with retroactive effect. Potential investors in the CASHES should consult their tax advisers as to the Belgian and other tax consequences prior to the purchase, ownership and disposal of the CASHES and the holding of the Underlying Shares including, in particular, the effect of any state or local tax laws.

In this general description Belgian legal and fiscal terms and concepts are expressed and described in English equivalent terms and concepts. These terms therefore should be construed and interpreted in accordance with their meaning under Belgian law.

Belgian Withholding Tax

CASHES

All payments by or on behalf of Fortis Bank of the principal amount and interest on the CASHES to Eligible Investors (see "*Description of the CASHES — Form and Denomination of the CASHES*") will be exempt from deduction or withholding tax in Belgium only if and as long as at the moment of payment or attribution of interest they are held in an exempt securities account that has been opened with a direct or indirect participant in the X/N System. Otherwise, withholding tax at a rate of 15% on any payment or attribution of interest income may apply (subject to possible reductions or exemptions under Belgian domestic law or bilateral tax treaties). For the purpose of Belgian withholding tax, interest income will include the Regular Coupons, Alternative Coupons, and any Additional Interest, all as defined in "*Description of the CASHES — Arrears of Interest and Additional Interest*".

See "*Description of the CASHES — Form and Denomination of the CASHES*" for a summary of the requirements to open an exempt securities account.

The Elective Alternative Coupons and the Exceptional Alternative Coupons will, for Belgian withholding tax purposes, be deemed attributed at the Regular Coupon Date.

Under the Council Directive 2003/48/EC of June 3, 2003 on taxation of savings income in the form of interest payments (the "Savings Directive"), Member States are, since July 1, 2005, required to provide to the tax authorities of other Member States or the tax authorities of the Dependant and Associated Territories details of payments of interest and other similar income paid by a person within its jurisdiction to (or under certain circumstances, to the benefit of) an individual resident in another Member State or resident in a Dependant and Associated Territory, except that Austria, Belgium and Luxembourg are instead required to impose a withholding system for a transitional period unless the beneficiary of the interest payments elects for the exchange of information. The withholding tax rate is initially 15%, increasing steadily to 20% and to 35%. The ending of such transitional period depends on the conclusion of certain other agreements relating to exchange of information with certain other countries.

Fortis Shares

Fortis shareholders are simultaneously shareholders of Fortis SA/NV and Fortis N.V. They may elect to receive dividends from either Fortis SA/NV or Fortis N.V., in such a way that the source of the dividends distributed on the Fortis Shares will be either Belgium or The Netherlands.

This process is known as the "Dividend Election" process. If no election has been made by the shareholders, default rules will apply for determining the source of the dividends. Dividends received on a

Fortis Share can come only from one source, either Belgium or The Netherlands, to the exclusion of the other country.

Dividends paid by Fortis SA/NV will generally be subject to Belgian withholding tax at the rate of 25% calculated on the gross amount of the dividend. Under certain circumstances, the 25% withholding tax rate is reduced to 15% with respect to certain qualifying shares (VVPR shares) issued. Shares that are eligible for this reduced withholding tax rate can be issued together with, or accompanied by, a VVPR Strip, which is a separate instrument representing the holder's right to receive dividends at the reduced withholding tax rate of 15%.

However, the following reduced rates or exemptions are available:

(i) the rate of withholding tax may be reduced to 0%, 5%, 10% or 15% subject to and in accordance with the provisions of bilateral tax treaties; and,

(ii) pension funds and other organizations which are exempt from income taxes in their country of residence may be able to qualify for a dividend withholding tax exemption if they are not resident in Belgium, have no commercial activities and are not legally or contractually obliged to remit the dividends to third parties;

Investors to whom (i) above applies will typically claim a refund of tax withheld from the Belgian authorities to the extent the withholding tax deducted exceeds the reduced rate of withholding tax specified in the applicable tax treaty. Subject to the availability of the necessary certificates, the reduction can also be applied at source.

Capital Gains and Income Tax

Unless they hold a substantial participation in the Underlying Shares and the bilateral treaty concluded between the Kingdom of Belgium and their state of residence, if any, does not provide for an exemption from Belgian capital gains tax, holders of CASHES and holders of the Underlying Shares who are not residents of Belgium for Belgian tax purposes and are not holding the CASHES or the Underlying Shares through a Belgian establishment (*établissement belge/Belgische inrichting*) within the meaning of art. 229 of the Belgian Income Tax Code 1992 will not incur or become liable for a Belgian tax on income or capital gains or other like taxes by reason only of the acquisition, ownership or disposal of the CASHES or the Underlying Shares or exchange of the CASHES into Underlying Shares, provided in relation to such transactions affecting the CASHES that they hold the CASHES in an exempt account of the X/N System.

Transfer Tax

A tax on stock exchange transactions (*taxe sur les opérations de bourse/taks op de beursverrichtingen*) at the rate of 0.07% (in relation to the CASHES) or 0.17% (in relation to the Underlying Shares) (subject to a maximum amount of EUR 500 per party and per transaction) will be due upon the sale and purchase or any other acquisition or transfer for consideration of CASHES or Underlying Shares entered into or settled in Belgium in which a professional intermediary acts for either party; a separate tax is due from each of the seller and the purchaser, both collected by the professional intermediary. The tax does not apply to primary market transactions.

A tax on repurchase transaction (*taxe sur les reports/taks op de reporten*) at the rate of 0.085% (subject to a maximum of euro 500 per party and per transaction) will be due from each party to any such transaction in which a professional intermediary acts for either party.

However, neither of the two taxes referred to above will be payable by exempt persons acting for their own account, including investors who are not Belgian residents (subject to certain identification formalities) and certain Belgian institutional investors as defined in Article 126.1, 2° of the Code of various duties and taxes (*Code des droits et taxes divers/Wetboek diverse rechten en taksen*).

Inheritance Duties

Belgian inheritance duties will not be levied in respect of the CASHES or the Underlying Shares if the deceased holder was not a Belgian resident at the time of his or her death.

Netherlands Tax Considerations

This section provides a general summary of the main Netherlands tax issues and consequences of acquiring, holding, redeeming and/or disposing of the CASHES and/or Underlying Shares.

This summary is neither intended as tax advice nor purports to describe all of the tax considerations that may be relevant to a prospective acquirer of the CASHES and/or Underlying Shares. Prospective investors are advised to acquaint themselves in detail with all Dutch tax consequences of acquiring, holding, redeeming and/or disposing of the CASHES and/or Underlying Shares.

This summary is based on the tax laws and regulations of The Netherlands in force as per the date of Prospectus, as applied and interpreted according to current published case law of the Dutch courts and administrative rulings. These laws and regulations may be subject to change or modification retroactively and/or prospectively, and any such change can affect the validity or correctness of this summary.

In this summary Dutch legal and fiscal terms and concepts are expressed and described in English equivalent terms and concepts. These terms therefore should be construed and interpreted in accordance with their meaning under Dutch law.

Taxes on income and capital gains — Resident holders of CASHES and/or Underlying Shares

General

The summary set out in this section "Taxes on income and capital gains — Resident holders of CASHES and/or Underlying Shares" only applies to a holder of CASHES and/or Underlying Shares who is a "Dutch Resident Individual" or a "Dutch Resident Company".

For the purposes of this section an individual qualifies as a "Dutch Resident Individual" if that person satisfies the following tests:

(a) the person is an individual;

(b) the person is a resident, or deemed to be resident, in The Netherlands for Dutch income tax purposes, or has elected to be treated as a resident of The Netherlands for Dutch income tax purposes; and

(c) the Exchange Rights forming part of the CASHES and/or the Underlying Shares do not form part of a substantial interest ("*aanmerkelijk belang*"), or a deemed substantial interest, in the Issuer as described below.

If a person is an individual and a holder of CASHES and/or Underlying Shares and if that person does not satisfy test (c) above, the Dutch income tax position of that person is not discussed in this Prospectus.

Generally speaking, a person has a substantial interest in a company if such person directly or indirectly has the ownership of, or certain rights in relation to, shares representing 5% or more of the total issued and outstanding capital (or the issued and outstanding capital of any class of shares) of the company, rights to acquire such interest in the share capital (whether or not already issued) of the company, or the ownership of, or certain rights in relation to, profit participating certificates ("*winstbewijzen*") that relate to 5% or more of the annual profit or liquidation proceeds of the company. In the case of an individual the 5% ownership criterion applies to that person jointly with his partner, if any, whereas a substantial interest is also present in case of a less than 5% shareholding by an individual if his relatives in the direct line of ascent or descent and/or those of his partner do hold a substantial interest. A person has a deemed substantial interest generally in respect of shares that have formed part of a substantial interest, and in respect of which a non-recognition provision has applied, such that capital gain taxation thereon has been deferred.

For the purposes of this section an entity is defined as a "Dutch Resident Company" if the following tests are satisfied:

(a) the entity is a limited liability company, a cooperative, or other entity that is treated as a taxpayer for Dutch corporate income tax purposes, such as — without limitation — certain partnerships, certain mutual funds, or an association or a non-public body that carries on an enterprise;

(b) the entity is resident, or deemed to be resident, in The Netherlands for Dutch corporate income tax purposes;

(c) the entity is not an entity that is, in whole or in part, specifically exempt from Dutch corporate income tax, such as — without limitation — a pension fund and an exempt investment institution; and

(d) the entity is not an investment institution ("*fiscale beleggingsinstelling*") as defined in the Dutch Corporate Income Tax Act 1969 ("*Wet op de vennootschapsbelasting 1969*").

If the entity satisfies test (a) above but does not satisfy test (c) or (d) above, the Dutch corporate income tax position of that entity is not discussed in this Prospectus.

If the entity satisfies test (a) above but does not satisfy test (b) above, the Dutch corporate income tax position of that entity is not discussed in this Prospectus if the Exchange Rights forming part of the CASHES and/or the Underlying Shares form part of a substantial interest ("aanmerkelijk belang"), or a deemed substantial interest, in the Issuer as described above, and the substantial interest is not attributable to an enterprise.

Dutch Resident Individuals

A Dutch Resident Individual holding the CASHES and/or Underlying Shares will be subject to Dutch individual income tax at the progressive rates of the Income Tax Act 2001 in respect of income derived or deemed to have been derived from the CASHES, including the value of the Exchange Right upon the Issue of the CASHES, capital gains realized or deemed to have been realized therewith, income derived or deemed to have been derived from the Underlying Shares and capital gains realized or deemed to have been realized therewith if:

(i) such individual has an enterprise or an interest in an enterprise, to which the CASHES and/or the Underlying Shares are attributable; or

(ii) such income or capital gain qualifies as income from miscellaneous activities ("*belastbaar resultaat uit overige werkzaamheden*") as defined in the Income Tax Act 2001 which includes, without limitation, activities that exceed normal portfolio management ("*normaal vermogensbeheer*").

If neither condition (i) nor (ii) above is met, the individual will be subject to Dutch income tax of 30% over a deemed benefit equal to 4% over the average value of the individual's net assets in the relevant calendar year regardless of the actual income or capital gains derived from the CASHES and/or Underlying Shares. Generally, the average value of the individual's net assets in a calendar year is based on the fair market value of the net assets at the beginning and at the end of the calendar year concerned, insofar as that average exceeds the exempt net asset amount ("*heffingvrij vermogen*"). The yield basis would include the fair market value of the CASHES and/or the Underlying Shares held at the beginning and/or end of a calendar year.

Dutch Resident Companies

A Dutch Resident Company holding the CASHES and/or Underlying Shares will be subject to Dutch corporate income tax in respect of income derived or deemed to have been derived from the CASHES, including the value of the Exchange Right upon the Issue of the CASHES, capital gains realized or deemed to have been realized therewith, income derived or deemed to have been derived from the Underlying Shares and capital gains realized or deemed to have been realized therewith.

Changes in the value of the Exchange Right after the issue of the CASHES and/or income derived or deemed to have been derived from the Underlying Shares and any capital gains realized or deemed to have been realized therewith may be exempt under the participation exemption as laid down in the Dutch Corporate Income Tax Act 1969. The main condition for application of the participation exemption is, generally, that the shareholding interest represents at least 5% of the nominal paid up capital of the Issuer. The participation exemption may also apply to changes in the value of the Exchange Right after the issue of the CASHES in case the Exercise of the Exchange Right would result in a shareholding of, or would increase an existing shareholding to, at least 5% of the nominal paid up capital of the Issuer.

Non-Resident Individuals

An individual holding the CASHES and/or Underlying Shares who is not, is not deemed to be, and has not elected to be treated as, resident for tax purposes in The Netherlands will not be subject to Dutch taxation in respect of any income, including the value of the Exchange Right upon the Issue of the CASHES or capital gains derived or deemed to have been derived from the CASHES or the Underlying Shares (other than the withholding tax described below) unless:

(i) the income or capital gains are attributable to an enterprise or part thereof that is carried on by the individual through a permanent establishment or a permanent representative in The Netherlands; or

(ii) the income or capital gain qualifies as income from miscellaneous activities ("*belastbaar resultaat uit overige werkzaamheden*") in The Netherlands as defined in the Income Tax Act 2001 which includes, without limitation, activities that exceed normal portfolio management ("*normaal vermogensbeheer*").

Non-Resident Companies

An entity holding the CASHES and/or Underlying Shares which is not resident or deemed to be resident for tax purposes in The Netherlands will not be subject to Dutch taxation in respect of any income or capital gains derived or deemed to have been derived from the CASHES or the Underlying Shares (other than the withholding tax described below) unless such income (which includes the value of the Exchange Right upon the Issue of the CASHES) or capital gains are attributable to an enterprise which is carried on, in whole or in part, through a permanent establishment or a permanent representative in The Netherlands.

In this case changes in the value of the Exchange Right after the issue of the CASHES and/or income derived or deemed to have been derived from the Underlying Shares and any capital gains realized or deemed to have been realized therewith may be exempt under the participation exemption as laid down in the Dutch Corporate Income Tax Act 1969. The main condition for application of the participation exemption is, generally, that the shareholding interest represents at least 5% of the nominal paid up capital of the Issuer. The participation exemption may also apply to changes in the value of the Exchange Right after the issue of the CASHES in case the Exercise of the Conversion Right would result in a shareholding of, or would increase an existing shareholding to, at least 5% of the nominal paid up capital of the Issuer.

Withholding tax

General

All payments of interest under the CASHES may be made free from withholding or deduction of, for or on account of any taxes of whatever nature imposed, levied, withheld or assessed by The Netherlands or any political subdivision or taxing authority thereof or therein.

Dividends distributed by Fortis N.V. are generally subject to a withholding tax imposed by The Netherlands at a rate of 15%. No dividend tax needs to be withheld in respect of proceeds from Underlying Shares Fortis N.V., provided that:

- the participation exemption as laid down in the Dutch Corporation Tax Act 1969 is applicable in respect of the Underlying Shares in the hands of the person entitled to such proceeds; and
- the Underlying Shares form part of the business assets of the Dutch enterprise of such person; and
- such person is the beneficial owner ("*uiteindelijk gerechtigde*") of the relevant proceeds.

A holder of Underlying Shares who receives proceeds therefrom, shall not be recognized as the beneficial owner of such proceeds if, in connection with the receipt of the proceeds, he or it has given a consideration, in the framework of a composite transaction, whereas it may be presumed that:

(i) such proceeds in whole or in part, directly or indirectly, inure to a person who would not have been entitled to an exemption from, reduction or refund of, or credit for, or who would have been entitled to a smaller reduction or refund of, or credit for, dividend withholding tax than the actual recipient of the proceeds; and

(ii) such person acquires or retains, directly or indirectly, an interest in Underlying Shares or similar instruments, comparable to his or its interest in Underlying Shares prior to the time the composite transaction was initiated.

The concept "dividends distributed by Fortis N.V." as used in this section Dutch Taxation includes, but is not limited to, the following:

- distributions in cash or in kind, deemed and constructive distributions and repayments of capital not recognized as paid-in for Dutch dividend withholding tax purposes;
- liquidation proceeds and proceeds of redemption of shares in excess of the average capital recognized as paid-in for Dutch dividend withholding tax purposes;
- the par value of shares issued by the Issuer to a shareholder or an increase of the par value of shares, as the case may be, to the extent that it does not appear that a contribution, recognized for Dutch dividend withholding tax purposes, has been made or will be made; and

- partial repayment of capital, recognized as paid-in for Dutch dividend withholding tax purposes, if and to the extent that there are net profits (“*zuivere winst*”), unless (a) the general meeting of the Issuer’s shareholders has resolved in advance to make such repayment and (b) the par value of the shares concerned has been reduced by an equal amount by way of an amendment to Fortis N.V.’s articles of association.

Dutch Resident Individuals and Dutch Resident Companies

Dutch Resident Individuals and Dutch Resident Companies generally can credit Dutch dividend withholding tax against their Dutch income tax or Dutch corporate income tax liability, as the case may be, and generally are entitled to a refund of Dutch dividend withholding tax insofar as such tax, together with any other creditable domestic and/or foreign taxes, exceeds their aggregate Dutch income tax or Dutch corporate income tax liability.

In case the participation exemption applies with respect to the dividend and Dutch dividend withholding tax has been withheld from the dividend, the Dutch dividend withholding tax cannot be credited. Instead a separate request for a refund has to be filed with the Dutch tax authorities.

Dutch dividend withholding tax will not be creditable by or refundable to a recipient of dividends distributed by Fortis N.V., that is not the beneficial owner (as described above).

Non-Resident holders of Underlying Shares Fortis N.V.

If a holder of Underlying Shares Fortis N.V. that is neither a Dutch Resident Individual nor Dutch Resident Company is resident in The Netherlands Antilles or Aruba or in a country that has concluded a double tax treaty with The Netherlands, such holder may be eligible for a full or partial relief from the dividend withholding tax, provided that such relief is timely and duly claimed. In addition, a qualifying parent company within the meaning of the EU Parent Subsidiary Directive (Directive 90/435/EEC, as amended) which has an interest of at least 5% in the Issuer is, subject to certain conditions, entitled to an exemption from dividend withholding tax.

This exemption may, depending on the facts and circumstances, also apply to qualifying parent companies resident in an EFTA member state with an interest of at least 5% in Fortis N.V.

Dividend withholding tax relief will only be available to the beneficial owner of dividends distributed by Fortis N.V. (as described above). The Dutch tax authorities have taken the position that this beneficial ownership test can also be applied to deny relief from dividend withholding tax under double tax treaties, the Tax Arrangement for the Kingdom (“*Belastingregeling voor het Koninkrijk*”) and the EU Parent Subsidiary Directive.

Subject to certain conditions, a legal entity resident in a member state of the European Union, that is not subject to a profit based tax in that member state, and, had that entity been a resident in The Netherlands, would not have been subject to Dutch corporate income tax, may request a refund of the tax withheld. This may, depending on the facts and circumstances, also apply to a legal entity resident in an EFTA member state.

Gift, estate or inheritance tax

Dutch Resident holders of CASHES and/or Underlying Shares

Generally, gift and inheritance tax will be due in The Netherlands in respect of the acquisition of the CASHES and/or the Underlying Shares by way of a gift by, or on the death of, a holder of the CASHES and/or the Underlying Shares who is a resident or deemed to be a resident of The Netherlands for the purposes of Dutch gift and inheritance tax on the date of the gift or on the date of his or her death. An individual of Dutch nationality is deemed to be a resident of The Netherlands for the purposes of Dutch gift and inheritance tax if he or she has been resident in The Netherlands at any time during the 10 years preceding the date of the gift or his or her death. An individual of any other nationality is deemed to be a resident of The Netherlands for the purposes of Dutch gift tax only if he or she has been resident in The Netherlands at any time during one year preceding the date of the gift. Furthermore, under circumstances, a holder of CASHES and/or Underlying Shares will be deemed to be a resident of The Netherlands for purposes of Dutch gift and inheritance tax, if the heirs jointly or the recipient of the gift, as the case may be, so elect(s).

Non-Resident holders of CASHES and/or Underlying Shares

No gift, estate or inheritance tax will arise in The Netherlands on the transfer by way of gift or inheritance of the CASHES and/or the Underlying Shares, if, on the date of the gift or death, the donor or the deceased is neither a resident nor a deemed resident of The Netherlands, unless:

(i) at the time of the gift or death, the CASHES and/or the Underlying Shares are attributable to an enterprise or part of an enterprise that is carried out through a permanent establishment or a permanent representative in The Netherlands; or

(ii) the donor of the CASHES and/or the Underlying Shares dies within 180 days of making the gift, and is a Dutch resident or deemed resident on the date of death.

Registration, stamp, transfer or turnover taxes or other similar duties or taxes

No Dutch registration, stamp, transfer or turnover taxes or other similar duties or taxes will be due in direct connection with the offering, the issue and the delivery of the CASHES and/or the Underlying Shares, the execution of the Document or the performance by the Issuer of its obligations under the Document or the CASHES and/or the Underlying Shares.

SUBSCRIPTION AND SALE

Merrill Lynch International and J.P. Morgan Securities Ltd. as joint global co-ordinators and joint bookrunners and Fortis Bank (Nederland) N.V. as joint global co-ordinator and co-bookrunner (together, the "**Joint Global Co-ordinators**") will severally agree to subscribe for the entire issued amount of the CASHES pursuant to an Underwriting Agreement (the "**Underwriting Agreement**") dated November 30, 2007 at the issue price of 100% of the principal amount of the CASHES less commissions. Fox-Pitt, Kelton Ltd. and Santander Investment S.A. are acting as co-lead managers (the "**Co-Lead Managers**" and together with the Joint Global Co-ordinators, the "**Managers**"). In addition, Fortis SA/NV, Fortis N.V. and Fortis Bank will agree to indemnify the Managers against certain liabilities incurred in connection with the issue of the CASHES. The Managers will receive a combined selling, management and underwriting commission as provided for in the Underwriting Agreement.

The Managers will be entitled to terminate the Underwriting Agreement in certain circumstances before the issue of the Securities.

United States

The CASHES have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act.

Each Manager has agreed that, except as permitted by the Underwriting Agreement, it will not offer, sell or deliver the CASHES (i) as part of their distribution at any time, or (ii) otherwise until 40 days after the later of the commencement of the offering and the Issue Date within the United States or to, or for the account or benefit of, U.S. persons and that it will have sent to each dealer to which it sells any CASHES during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the CASHES within the United States or to, or for the account or benefit of, U.S. persons. The terms used in the preceding paragraph and in this paragraph have the meaning assigned to them by Regulation S under Securities Act.

In addition, until 40 days after the completion of the offering, an offer or sale of CASHES within the United States by any dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

United Kingdom

Each Manager has represented and agreed that:

- it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000) received by it in connection with the issue or sale of any Securities in circumstances in which Section 21(1) of the Financial Services and Markets Act 2000 does not apply to Fortis SA/NV, Fortis N.V. or Fortis Bank; and
- it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 with respect to anything done by it in relation to any CASHES in, from or otherwise involving the United Kingdom.

General

Each Manager has agreed that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers or sells the CASHES or possesses or distributes this Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer or sale by it of the CASHES under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales and none of Fortis SA/NV, Fortis N.V., Fortis Bank and any Manager shall have any responsibility therefor.

None of Fortis SA/NV, Fortis N.V., Fortis Bank and any Manager represents that the CASHES may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

LEGAL MATTERS

Certain matters under United States law relating to the CASHES will be passed upon by Davis Polk & Wardwell, US counsel for Fortis Bank and Fortis. Certain Dutch and Belgian law matters will be passed upon by Jeannine Quaetaert, Fortis's Chief Legal, Compliance and Investigations Officer. Freshfields Bruckhaus Deringer, counsel for the Managers, will pass upon certain legal matters relating to the CASHES under United States, English, Dutch and Belgian law.

INDEPENDENT AUDITORS

The Consolidated Financial Statements of Fortis at December 31, 2006, 2005 and 2004 and for each of the three years in the period ended December 31, 2006 appearing in this Prospectus have been jointly audited by KPMG Accountants N.V., a member of the *Koninklijk Nederlands Instituut van Register Accountants*, and PricewaterhouseCoopers Reviseurs d'Entreprises SCCRL, a member of the *Instituut der Bedrijfsrevisoren/ Institut des Réviseurs d'Entreprises*, independent public accountants for Fortis N.V. and Fortis SA/NV, respectively, as set forth in their report thereon appearing elsewhere herein.

The consolidated financial statements of Fortis Bank at December 31, 2006, and for the financial years ended December 31, 2006 and 2005 incorporated by reference in this Prospectus, have been audited by KPMG SA/NV and PricewaterhouseCoopers Reviseurs d'Enterprises SCCRL statutory auditors for Fortis Bank Group.

GENERAL INFORMATION

No Representations

No one is authorized in connection with the offering to give any information or to make any statement not contained in this Prospectus. Investors should not rely on any such representation as having been authorized by Fortis Bank, Fortis or the Managers.

GENERAL LISTING INFORMATION

Application has been made to list the CASHES on the Luxembourg Stock Exchange and to admit them to trading on the Euro MTF. The CASHES may not be listed on the Luxembourg Stock Exchange on the Closing Date.

1) Each of Fortis N.V. and Fortis SA/NV believes that, except as disclosed herein, there has been no significant change in its financial position since September 30, 2007 and no material adverse change in its prospects since December 31, 2006.

2) Except as disclosed herein, we are not and have not been party to any legal or arbitration proceedings that may have or have had during the 12 months preceding the date of this Prospectus, significant effects on our financial position or profitability, nor, so far as we are aware, are any such proceedings threatened or pending.

3) So long as the CASHES are listed on the Luxembourg Stock Exchange for trading on the Euro MTF and Luxembourg laws and regulations so require, copies of the articles of incorporation of Fortis Bank, and the Indenture, will be available at the specified office of the Trustee and the Luxembourg Paying Agent. The articles of association of Fortis N.V. and Fortis SA/NV are available at their respective principal executive offices (see § 8 and § 9 below) and on Fortis's website at *www.fortis.com/Governance/ articlesofassociation.asp.* The documents described under "*Incorporation of Certain Documents by Reference*" can be obtained, free of charge, from the principal executive offices of each Parent Company (see § 8 and § 9 below) or from Fortis Bank (see § 7 below), from Fortis's website at *www.fortis.com/Shareholders/annualreports.asp* and from the offices of the Luxembourg Paying Agent.

So long as the CASHES are listed on the Luxembourg Stock Exchange for trading on the Euro MTF and Luxembourg laws and regulations so require, copies of (1) the consolidated audited annual financial statements of the Fortis Group, including the unconsolidated audited annual financial statements of Fortis SA/NV and of Fortis N.V., (2) the consolidated unaudited quarterly and semiannual financial statements of the Fortis Group, (3) the Annual Report of Fortis for 2006 and all subsequent financial years and (4) the audited annual financial statements of Fortis Bank will be available during normal business hours on any weekday at the offices of the Luxembourg Paying Agent.

4) We have appointed Fortis Banque Luxembourg as our listing and paying agent in Luxembourg. We reserve the right to vary that appointment. So long as the CASHES are listed on the Luxembourg Stock Exchange for trading on the Euro MTF, we will maintain a paying agent and listing agent in Luxembourg. Any notices with regard to the CASHES may be delivered to the specified office of the Luxembourg Paying Agent, for further delivery to us or the trustee or other paying agents, as the case may be. The Luxembourg Paying Agent will act as intermediary between us and the holders of CASHES and is authorized to receive all declarations and notices of the holders of CASHES provided for in the indenture for further delivery to us, the trustee or other paying agents, as the case may be.

5) Notices to Holders. Notices to Holders of the CASHES will be deemed to have been validly given (a) if published in an Authorized Newspaper or on the website of the Luxembourg Stock Exchange (*www.bourse.lu*) on a business day not later than the latest date prescribed for the giving of such notice and, if the CASHES are represented by one or more global certificates, delivered to the common depository for Euroclear and Clearstream for communication by them to their participants (without any additional publication required if such global certificates represent the CASHES in their entirety) with any such notice deemed to have been given to the Holders on the seventh day after the day on which such notice was given to the clearing systems and (b) when the CASHES are represented by Definitive Securities, at the option of Fortis Bank, either (i) by publication as prescribed in clause (a) above or (ii) if given in writing and mailed, first-class postage prepaid, to each holder of a Definitive Security at the address appearing in the Securities register not later than the latest date (if any), and not earlier than the earliest date (if any) prescribed for the giving of such notice. As long as the CASHES are listed on the Luxembourg Stock Exchange for trading on the Euro MTF and Luxembourg laws and regulations so require, all notices to holder will be published in a leading newspaper having general circulation in Luxembourg (which is expected to be *d'Wort*), or the website of the Luxembourg Stock Exchange (*www.bourse.lu*).

6) The Bank of New York is the Trustee under the Indenture.

7) Fortis Bank nv-sa is a company incorporated with limited liability (*naamloze vennootschap/société anonyme*) and a bank incorporated under the laws of Belgium and is registered with the register of legal

entities under enterprise number 0403.199.702. Fortis Bank's registered office is at Montagne du Parc 3, 1000 Brussels, Belgium and its telephone number is +322 565 1111.

8) Fortis N.V. is a public company with limited liability (*naamloze vennootschap*) incorporated under the laws of The Netherlands on April 19, 1984 for an indefinite period. Fortis N.V.'s principal executive offices and corporate seat is at Archimedeslaan 6, 3584 BA Utrecht, The Netherlands, which is also the business address for the board of directors. Fortis N.V. is registered with the Trade Register at the Chamber of Commerce of Utrecht under number 30072145. Its telephone number is +31(0) 30 226 62 22.

9) Fortis SA/NV is a public company with limited liability (*société anonyme/naamloze vennootschap*) incorporated under the laws of Belgium on November 16, 1993, for an indefinite period. Fortis SA/NV's principal executive offices and corporate seat is at Rue Royale 20, 1000 Brussels, Belgium, which is also the business address for the board of directors. Fortis SA/NV is registered with the register of legal entities under enterprise number 0451.406.524. Its telephone number is +32(0) 2 510 52 11.

10) The issuance of the CASHES was approved by the boards of directors of Fortis SA/NV and Fortis N.V. on November 28, 2007 and by the board of directors of Fortis Bank on November 26, 2007.

11) The annual financial statements of Fortis Group are jointly audited by KPMG Accountants N.V., a member of the *Koninklijk Nederlands Instituut van Register Accountants*, and PricewaterhouseCoopers Reviseurs d'Entreprises SCCRL, a member of the *Instituut der Bedrijfsrevisoren/Institut des Réviseurs d'Entreprises*. Fortis N.V.'s auditors are KPMG Accountants N.V. Fortis SA/NV's auditors are PricewaterhouseCoopers Reviseurs d'Entreprises SCCRL. These auditors have audited the Consolidated Financial Statements of Fortis for the financial years included in this Prospectus as stated in their audit report.

12) Fortis Bank's consolidated financial statements for the period ended December 31, 2006 were audited by KPMG SA/NV and PricewaterhouseCoopers Reviseurs d'Enterprises SCCRL.

14) The CASHES have been accepted for clearance through the X/N clearance and settlement system (the "X/N System"). The CASHES have an ISIN number of BE0933899800, a SEDOL number of B29R5X3 and a Common Code of 033483384.

15) The total expenses related to admission to listing are expected to be EUR 12,600.

GLOSSARY

Claims ratio	The cost of claims as a percentage of the earned premiums, net of reinsurance. This is the cost of claims, net of reinsurance, excluding the internal costs of handling non-life claims.
Combined ratio	The sum of the claims ratio and the expense ratio.
Embedded Value	An alternative method for determining the value and profitability of a life insurance company. Embedded Value is an actuarially determined estimate of the economic value of a life company, excluding any value attributed to future new business. The changes in a company's embedded value from year to year, after adjustment for any dividends paid or capital injected, provide a measure of the profitability of a company's life insurance business.
Endowment	Life insurance under which an insured receives the face value of a policy if the individual survives the endowment period. If the insured does not survive, a beneficiary receives the face value of the policy.
Expense ratio	Only used for non-life insurance business. Expenses as a percentage of the earned premiums, net of reinsurance. Expenses are the costs plus net commissions charged to the financial year, less internal investment costs.
GAAP in accordance with Belgian law	Fortis uses this term in connection with its Consolidated Financial Statements to indicate that they are prepared in accordance with the applicable legal and regulatory requirements in Belgium. Fortis has, as described in the footnotes and description of the accounting principles included in its Consolidated Financial Statements, both in terms of presentation and content, utilized a number of options applicable in the law for consortium by taking into account art. 117 §2 of the Belgian Code of Companies, in order to reflect in a most reliable manner in its financial statements the bank and insurance activities.
Insurance bonds	Insurance policy with a savings character in Belgium.
Investment-linked premiums	Premiums for policies offering benefits that depend to a major extent on the results of investments that are contractually linked to these policies.
Technical provisions	The extent of current commitments to policyholders and other parties arising out of insurance contracts written.
Term life insurance	A life insurance product which only stays in effect for a limited period. If an insured dies within that period, the beneficiary receives the death payments, and if the insured survives, the policy ends and the beneficiary receives nothing.
Universal life	A life insurance product under which (1) premiums are generally flexible, (2) the level of death benefits may be adjusted and (3) expenses and other charges are specifically disclosed to a purchaser.
Value Added by New Business	One of the measures used to calculate Embedded Value accrued during any particular year and includes the present value of future profits on new business less the cost of required capital.
Whole life insurance	A permanent life insurance product offering guaranteed death benefits and guaranteed cash values.

PRINCIPAL EXECUTIVE OFFICE OF THE ISSUER (CO-OBLIGOR)

Fortis Bank
Montagne du Parc 3
1000 Brussels
Belgium

PRINCIPAL EXECUTIVE OFFICES OF THE PARENT COMPANIES (CO-OBLIGORS)

Fortis SA/NV
Rue Royale 20
1000 Brussels
Belgium

Fortis N.V.
Archimedeslaan 6
3584 BA Utrecht
The Netherlands

LEGAL ADVISORS TO FORTIS

As to U.S. federal and New York law:
Davis Polk & Wardwell
99 Gresham Street
London EC2V 7NG
England

As to Belgian law:
Linklaters LLP
Brederode 13
1000 Brussels
Belgium

As to Dutch law:
Linklaters LLP
World Trade Centre Amsterdam
Tower H, 22nd Floor
Zuidplein 180
1077 XV Amsterdam
The Netherlands

LEGAL ADVISORS TO THE MANAGERS

As to U.S. federal and New York law:
Freshfields Bruckhaus Deringer
65 Fleet Street
London EC4Y 1HS
England

As to Belgian law:
Freshfields Bruckhaus Deringer
Place du Champ de Mars 5
1050 Brussels
Belgium

As to Dutch law:
Freshfields Bruckhaus Deringer
Strawinskylaan 10
1077 XZ Amsterdam
The Netherlands

AUDITORS

As to Fortis SA/NV:
PricewaterhouseCoopers
Reviseurs d'Entreprises SCCRL
Woluwedal 18
B-1932 Sint-Stevens-Woluwe
Belgium

As to Fortis N.V.:
KPMG Accountants N.V.
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