Fortis Hybrid Financing

Euro Denominated Perpetual Securities

having the benefit of a support agreement and subordinated guarantee of.

Fortis N.V. and Fortis SA/NV

(co-guarantors)

The Euro Denominated Perpetual Securities (the "**Securities**") will be issued on or about May 30, 2008 (the "**Issue Date**") under an indenture by Fortis Hybrid Financing, a special purpose financing vehicle incorporated in Luxembourg in the form of a limited liability company (*société anonyme*) and registered with the Luxembourg Register of Commerce and Companies with registration number B-116671. The Securities will constitute direct, subordinated obligations of Fortis Hybrid Financing. The Securities will bear interest at a fixed rate to be determined on the basis of a bookbuilding procedure (the "**Coupon**") from and including the Issue Date, payable annually in arrears on or about May 30 of each year, beginning on or about May 30, 2009.

The Coupon and the total principal amount of the Securities to be issued shall be determined on or about May 23, 2008 (the "**Pricing Date**") following the end of the public offer period as described below and notified to the Commission de Surveillance du Secteur Financier (the "**CSSF**") and published on the website of the Luxembourg Stock Exchange and in the Euronext Daily Official List ("*Officiële Prijscourant*") of Euronext Amsterdam N.V. ("Euronext").

The Securities will have the benefit of a support agreement and subordinated guarantee entered into by Fortis Hybrid Financing's ultimate parent companies, Fortis SA/NV and Fortis N.V. The guarantee agreement will constitute direct, unsecured and subordinated obligations of each parent company.

For a more detailed description of the Securities and the support and guarantee arrangements, see "Description of the Securities".

The CSSF is the competent authority in Luxembourg for the purpose of Directive 2003/71/EC (the "**Prospectus Directive**") and the Luxembourg law on prospectuses dated 10 July 2005, for the purpose of approving this Prospectus. In addition, Fortis Hybrid Financing has requested that the CSSF provides a copy of the certificate of approval to the competent authority in the Netherlands, the Netherlands Authority for the Financial Markets ("*Stichting Autoriteit Financiële Markten*"). Application has been made to the (i) Luxembourg Stock Exchange for the Securities to be listed on the official list of the Luxembourg Stock Exchange and to be admitted to trading on the Regulated Market of the Luxembourg Stock Exchange and (ii) Euronext Amsterdam by NYSE Euronext ("Euronext Amsterdam"), the regulated market of Euronext, which are each regulated markets within the meaning of Directive 2004/39/EC.

Investing in the Securities involves risks. See "Risk Factors".

PRICE 100% AND ACCRUED INTEREST, IF ANY

THE COUPON RATE IS EXPECTED TO BE BETWEEN 8.00% AND 8.25% PER ANNUM.

THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR UNDER ANY STATE SECURITIES LAWS AND MAY NOT BE OFFERED, SOLD OR DELIVERED WITHIN THE UNITED STATES OR TO, OR FOR THE BENEFIT OF, ANY US PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) UNLESS REGISTERED UNDER THE SECURITIES ACT OR AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT IS AVAILABLE. THE SECURITIES ARE BEING OFFERED AND SOLD IN OFFSHORE TRANSACTIONS OUTSIDE THE UNITED STATES IN RELIANCE ON REGULATION S UNDER THE SECURITIES ACT.

The Securities will be evidenced by a global certificate in registered form, deposited on or about May 30, 2008, registered in the name of the nominee of the common depositary for Euroclear Bank SA/NV and Clearstream *société anonyme,* Luxembourg. The Securities traded on Euronext Amsterdam are eligible for settlement in the systems of Euroclear Nederlands Interprofessioneel Effectencentrum NIEC B.V. ("Euroclear NIEC").

Joint Lead Managers and Joint Bookrunners

Merrill Lynch International **Fortis Bank**

Joint Lead Manager

Morgan Stanley

Co-Managers

ABN Amro **ING** **Rabobank**

The date of this Prospectus is May 14, 2008.

If Fortis Hybrid Financing gives a notice stating that it will satisfy any coupon in accordance with the Alternative Coupon Payment Method described in this Prospectus (an "**Alternative Coupon Notice**"), then the Alternative Coupon shall be payable, subject to a Postponement Event, on the Alternative Coupon Satisfaction Date. Fortis Hybrid Financing may give an Alternative Coupon Notice in its sole discretion (except in the case of a Mandated Election in which case Fortis Hybrid Financing is required to give an Alternative Coupon Notice), but if a Trigger Event has occurred and is continuing or would occur on a Regular Coupon Date, Fortis Hybrid Financing is required to give an Alternative Coupon Notice.

Subject to certain exceptions, coupons payable following any payment of dividends or other distributions on Ordinary Shares or Parity Securities of Fortis Hybrid Financing or either Parent Company or any redemption, repurchase or other acquisition by Fortis Hybrid Financing or either Parent Company of its Ordinary Shares or Parity Securities will have the benefit of the Support Agreement from the Parent Companies.

The Securities have no stated maturity. The Securities are not redeemable at the option of the holders at any time and are not redeemable at the option of Fortis Hybrid Financing prior to May 30, 2013 or such other date that will be the fifth anniversary of the Issue Date, (the "**First Call Date**"), except in certain circumstances described herein. Subject to compliance with applicable regulatory requirements, the Securities may be redeemed at the option of Fortis Hybrid Financing, in whole or in part, on the First Call Date or on any subsequent Regular Coupon Date. Upon the occurrence of a Tax Event or a Tier 1 Disqualification Event, Fortis Hybrid Financing will have the right at any time to redeem the Securities in whole (and not in part). The redemption price for such redemptions will be the Base Redemption Price.

In the event of the occurrence of a Capital Deficiency Event, under certain circumstances, the principal amount of the Securities will be reduced in an amount necessary to remedy the Capital Deficiency Event to the fullest extent possible ("**Loss Absorption**"). In the event of Loss Absorption, coupons will continue to be paid at the then applicable rate but on the reduced principal amount and may only be paid using the Alternative Coupon Payment Method. Under certain circumstances relating to the profitability of the Parent Companies, the principal amount of the Securities will be reinstated to the extent described herein. In the event of a bankruptcy or liquidation of the Parent Companies or Fortis Hybrid Financing, the Original Principal Amount of the Securities shall be reinstated.

All payment obligations of Fortis Hybrid Financing under the Securities will be unsecured subordinated obligations ranking behind the claims of holders of Senior and Subordinated Indebtedness, before the claims of holders of Fortis Hybrid Financing Ordinary Shares and claims for payment of any indebtedness or obligation that, expressly or by applicable law, is subordinated to the Securities, and equally with the claims of creditors that, expressly or by applicable law, are *pari passu* with the Securities.

The Parent Companies will give an unconditional and irrevocable Subordinated Guarantee for the due payment of the Base Redemption Price payable when the Securities become payable in accordance with their terms in the event of a judicial or voluntary liquidation or bankruptcy of Fortis Hybrid Financing. Holders of Securities will have certain third-party beneficiary rights to pursue remedies against the Parent Companies.

The Securities will form part of the solvency capital of the Fortis Group and, as such, it is the intention of Fortis Hybrid Financing to redeem the Securities only to the extent that it (or the Parent Companies), in the period of six months prior to such redemption, raise funds (in an amount at least equal to the aggregate principal amount of the Securities to be redeemed) by the issuance and sale of any securities that have equal or greater equity characteristics than the Securities.

The Securities will be issued in registered form in denominations of EUR 1,000 principal amount and will be evidenced by a global certificate in registered form, which will be deposited with a common depositary for Euroclear SA/NV and Clearstream, *société anonyme*, Luxembourg, as described in this Prospectus. Ownership of beneficial interests in the Securities will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear Bank SA/NV, Clearstream Banking, *société anonyme*, Luxembourg, and their respective participants. The Securities traded on Euronext Amsterdam are eligible for settlement in the systems of Euroclear NIEC.

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Each of Fortis Hybrid Financing, Fortis N.V. and Fortis SA/NV, having taken all reasonable care to ensure that such is the case, confirms that the information contained in the prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import. Each of Fortis Hybrid Financing, 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 Securities 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 Securities 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**"), Morgan Stanley & Co. International plc ("**Morgan Stanley**") and Fortis Bank (the "**Managers**") reserve the right to reject any offer to purchase for any reason, or to sell less than all of the Securities offered by this Prospectus.

The Securities 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 (the "**Stabilizing Manager**") (or persons acting on behalf of the Stabilizing Manager) may over-allot or effect transactions with a view to supporting the market price of the Securities 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 final terms of the offer of the Securities 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 and 60 days after the date of the allotment of the Securities. Any stabilization action or over-allotment must be conducted by the Stabilizing Manager (or persons acting on behalf of any Stabilizing Manager) in accordance with all applicable laws and rules.

This Prospectus has been prepared on the basis that any offer of the Securities in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**") other than offers (the "**Permitted Public Offers**") which are made prior to the Issue Date (or such later date as Fortis Hybrid Financing may permit), and which are contemplated in this Prospectus in Austria, Belgium, France, Germany, Ireland, Italy, Luxembourg, Portugal, Spain, The Netherlands, the United Kingdom and the Principality of Liechtenstein once this Prospectus has been approved by the CSSF and published and notified to the relevant competent authorities in accordance with the Prospectus Directive as implemented in Austria, Belgium, France, Germany, Ireland, Italy, Portugal, Spain, The Netherlands, the United Kingdom and the Principality of Liechtenstein, will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Securities. Accordingly, any person making or intending to make an offer in that Relevant Member State of the Securities which are the subject of the offering contemplated in this Prospectus, other than the Permitted Public Offers, may only do so in circumstances in which no obligation arises for Fortis Hybrid Financing or any of the Managers to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither Fortis Hybrid Financing nor the Managers have authorized, nor do they authorize, the making of any offer (other than Permitted Public Offers) of the Securities in circumstances in which an obligation arises for Fortis Hybrid Financing or the Managers to publish or supplement a prospectus for such offer.

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 Securities and (2) obtain any consent, approval or permission required to be obtained by you for the purchase, offer or sale by you of the Securities 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 Securities, 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 Securities, 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 Securities.

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**", "**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 Hybrid Financing.

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 2007, 2006 and 2005 results (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.

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 SA/NV Financial Statements

Fortis SA/NV prepares financial statements that reflect its share in Fortis. In these financial statements, Fortis SA/NV accounts for its share in Fortis on a cost basis. Fortis SA/NV's financial statements are prepared in accordance with generally accepted accounting principles in Belgium ("**Belgian GAAP**").

Fortis N.V. Financial Statements

Fortis N.V. prepares financial statements that reflect its share in Fortis. In these financial statements, Fortis N.V. accounts for its share in Fortis on a net equity basis. Fortis N.V.'s financial statements for 2005, 2006 and 2007 were prepared in accordance with generally accepted accounting principles in The Netherlands ("**Dutch GAAP**").

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's 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, continuing uncertainties over the acquisition of the ABN AMRO Businesses (as defined below) (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;
- 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;
- the continuing impact of the credit crisis relating to structured credit instruments, including subprime mortgages, and the related valuation issues associated with such instruments, which could result in additional impairments, and the concurrent liquidity problems which have arisen associated with these credit issues;
- 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". Without prejudice to our obligations under Luxembourg 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 "Information About the Acquisition of ABN AMRO "— Business rationale of the ABN AMRO Acquisition" section below has been prepared by, and is the responsibility of, Fortis's 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 Fortis's historical consolidated financial information and the separate stand alone financial statements of the Parent Companies. 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 CSSF shall be incorporated in, and form part of, this Prospectus:

Consolidated Audited Financial Statements of Fortis for the Financial Years ended December 31, 2007, 2006 and 2005

(a) the audited Consolidated Financial Statements of Fortis prepared in accordance with IFRS for the financial years ended December 31, 2007 and 2006 (the "**2007 Consolidated Financial Statements**") including, in particular, the following information set out on the following pages:

(b) the audited Consolidated Financial Statements of Fortis prepared in accordance with IFRS for the financial years ended December 31, 2006 and 2005 including, in particular, the following information set out on the following pages:

(c) the audited Consolidated Financial Statements of Fortis prepared in accordance with IFRS for the financial year ended December 31, 2005 including, in particular, the following information set out on the following pages:

Consolidated Interim Financial Statements of Fortis for the Three Months ended March 31, 2008 and 2007

(a) the unaudited Consolidated Interim Financial Statements of Fortis prepared in accordance with IFRS for the three months ended March 31, 2008 and 2007 including, in particular, the following information set out on the following pages:

Financial Statements of Fortis SA/NV for the Financial Years ended December 31, 2007, 2006 and 2005

(b) the audited Financial Statements of Fortis SA/NV prepared in accordance with Belgium GAAP for the financial years ended December 31, 2007 and 2006, which appear in the 2007 Fortis Consolidated Financial Statements, including, in particular, the following information set out on the following pages:

(c) the audited Financial Statements of Fortis SA/NV prepared in accordance with Belgian GAAP for the financial years ended December 31, 2006 and 2005, which appear in the 2006 Consolidated Financial Statements, including, in particular, the following information set out on the following pages:

(d) the audited Financial Statements of Fortis SA/NV prepared in accordance with Belgian GAAP for the financial year ended December 31, 2005, which appear in the 2005 Fortis Consolidated Financial Statements, including, in particular, the following information set out on the following pages:

Financial Statements of Fortis N.V. for the Financial Years ended December 31, 2007, 2006 and 2005

(a) the audited Financial Statements of Fortis N.V. prepared in accordance with Dutch GAAP for the financial years ended December 31, 2007 and 2006, which appear in the 2007 Fortis Consolidated Financial Statements, including, in particular, the following information set out on the following pages:

(b) the audited Financial Statements of Fortis N.V. prepared in accordance with Dutch GAAP for the financial years ended December 31, 2006 and 2005, which appear in the 2006 Consolidated Financial Statements, including, in particular, the following information set out on the following pages:

(c) the audited Financial Statements of Fortis N.V. prepared in accordance with Dutch GAAP for the financial year ended December 31, 2005, which appear in the 2005 Fortis Consolidated Financial Statements, including, in particular, the following information set out on the following pages:

Financial Statements of Fortis Hybrid Financing for the Financial Years ended December 31, 2007 and 2006

(a) the audited Financial Statements of Fortis Hybrid Financing prepared in accordance with Luxembourg legal and regulatory requirements for the financial year ended December 31, 2007 including, in particular, the following information set out on the following pages:

(b) the audited Financial Statements of Fortis Hybrid Financing prepared in accordance with Luxembourg legal and regulatory requirements for the financial year ended December 31, 2006 including, in particular, the following information set out on the following pages:

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) and from the offices of Fortis Hybrid Financing at 65, boulevard Grande Duchesse Charlotte, L-1331 Luxembourg. Copies of the financial statements for Fortis and for each of the Parent Companies are also available from Fortis's website at *www.fortis.com/Shareholders/annualreports.asp* and from the specified office of the paying agents in Luxembourg and in The Netherlands.

Except as provided above, no other information or documents included on Fortis's website are or shall be incorporated by reference in this Prospectus.

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 must be read as an introduction to this Prospectus. Any decision, by any investor, to invest in any Securities should be based on a consideration of this Prospectus as a whole, including the documents incorporated by reference. Following the implementation of the relevant provisions of the Prospectus Directive in each EEA Member State, no civil liability will attach to the Issuer or the Parent Companies as guarantors in any such Member State solely on the basis of this summary, including any translation thereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus. Where a claim relating to information contained in this Prospectus is brought before a court in an EEA Member State, the plaintiff may, under the national legislation of the EEA Member State where the claim is brought, be required to bear the costs of translating this Prospectus before the legal proceedings are initiated.

Fortis Hybrid Financing

Fortis Hybrid Financing is a special purpose financing vehicle incorporated under the laws of Luxembourg in the form of a limited liability company (*société anonyme*) and registered with the Luxembourg Register of Commerce and Companies with registration number B-116671. The registered office of Fortis Hybrid Financing is located at 65, boulevard Grande Duchesse Charlotte, L-1331 Luxembourg, Luxembourg.

Fortis Hybrid Financing is part of the Fortis Group. Its articles of incorporation restrict its activities to issuing securities ranking *pari passu* among themselves, qualifying as solvency capital for Fortis SA/NV, Fortis N.V. and the other companies in the Fortis Group, and to investing the proceeds thereof in instruments (other than ordinary share capital) issued by any of the Fortis operating companies that qualify as solvency capital for such Group entity.

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.

Overview

Fortis is an international provider of financial 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 expertise 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 871 billion and total equity of EUR 34 billion at December 31, 2007, Fortis ranks among the 20 largest financial institutions in Europe based on market capitalization.[1] With its sound solvency position, broad risk spread and the extensive expertise of its approximately 62,000 employees (full time equivalents) as of December 31, 2007 (approximately 62,500 at March 31, 2008), Fortis combines an international presence with local flexibility to provide strong support to its customers.

1 Source: Bloomberg December 31, 2007.

As at December 31, 2007, Fortis core equity[2] was EUR 26,063 million and total capital[3] was EUR 27,999 million (at March 31, 2008, respectively EUR 25,984 million and EUR 27,751 million)[1], which exceeded the minimum regulatory total capital solvency requirements of Fortis (EUR 25,725 million at December 31, 2007 and EUR 26,782 million at March 31, 2008).[3]

Recent Developments

Relationship with Ping An Insurance (Group) Company of China

On November 28, 2007, Fortis entered into a Memorandum of Understanding (the "**MoU**") with Ping An Insurance (Group) Company of China Ltd., which had, through a subsidiary, taken a stake of approximately 4.18% in Fortis. As a result, Ping An is now the single largest shareholder of Fortis and adheres to the Fortis Governance Statement.

Ping An Asset Management Agreement

On April 2, 2008, Ping An and Fortis signed an agreement that formalized the establishment of a global asset management partnership between the two companies. Under the agreement, Ping An agreed to acquire a 50% equity stake in Fortis Investments for EUR 2.15 billion. The partnership is expected to allow Ping An to advance its strategy to establish a global asset management business and a Qualified Domestic Institutional Investor platform, while Fortis is expected to benefit from enhanced access to the growing economies of China and Asia, which would allow Fortis to accelerate the development of its business in the region.

ABN AMRO Acquisition

On October 17, 2007, Fortis, RBS and Santander (collectively, the "**Consortium Banks**") completed, through RFS Holdings B.V. ("**RFS**" or "**RFS Holdings**"), a company jointly owned by the Consortium Banks, the acquisition of ABN AMRO (the "**ABN AMRO Acquisition**"). The consideration paid by RFS Holdings in the aggregate amounted to approximately EUR 71.1 billion (EUR 73 billion on a fully diluted basis). 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. RFS is currently in the process of implementing an orderly separation of the business units of ABN AMRO through a Consortium and Shareholders' Agreement which governs the relationship among the Consortium Banks and RFS with respect to the ABN AMRO Acquisition and the transfer of the ABN AMRO Businesses (as defined below). As a result of the ABN AMRO Acquisition, Fortis acquired the ABN AMRO Businesses for a consideration of EUR 24.0 billion, representing 33.8% of the total consideration payable in the ABN AMRO Acquisition.

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

- EUR 2 billion from the issue on July 11, 2007 of Conditional Capital Exchangeable Notes exchanged into Mandatory Convertible Securities on December 7, 2007;
- EUR 3 billion from the issuance of Tier 1 capital instruments consisting of EUR 3 billion principal amount of Convertible and Subordinated Hybrid Equity-linked Securities (CASHES); and

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2 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.

3 Total capital includes, in accordance with Basel I, 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.

- EUR 6.5 to 8.0 billion from the proceeds of a combination of (i) the sale of specific non-core assets (approximately EUR 2.5 billion); (ii) sale of shared assets of the Consortium (approximately EUR 2.0 billion); and (iii) securitization and other similar transactions (approximately EUR 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 included 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. In addition, Fortis raised additional amounts when it sold its stakes in Banco Comercial Português and ICBC in September and December 2007.

As a result of the completion of the ABN AMRO Acquisition, Fortis holds shares in RFS Holdings that equal its proportionate funding commitment (33.8%) for the ABN AMRO Acquisition 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**").

Summary 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 2007 Consolidated Financial Statements and the Fortis Consolidated Interim Financial Statements for the three months ended March 31, 2008, incorporated by reference in this Prospectus.

Summary Consolidated income statement

	Three Months Ended March 31,		Year Ended December 31,		
	2008	2007	2007	2006	2005
	(unaudited)				
			(EUR million)		
Income					
Interest income	25,517	20,852	94,869	72,583	66,845
Insurance premiums	4,499	4,258	14,934	13,984	12,919
Realized capital gains (losses) on investments	421	399	2,133	1,137	1,642
Other realized and unrealized gains and losses	508	391	1,176	1,362	878
Fee and commission income	1,076	1,024	4,400	3,734	3,124
Total income	30,698	27,813	120,457	96,541	90,419
Expenses					
Interest expense	(23,607)	(19,042)	(87,354)	(65,121)	(60,227)
Insurance claims and benefits	(4,119)	(3,849)	(14,075)	(13,151)	(11,788)
Changes in impairments	(524)	(32)	(3,042)	(194)	(235)
Fee and commission expense	(653)	(564)	(2,344)	(1,922)	(1,615)
Staff expenses	(1,267)	(1,165)	(4,980)	(4,485)	(4,291)
Other expenses	(811)	(832)	(3,798)	(3,336)	(2,856)
Total expenses	(29,541)	(26,487)	(117,631)	(91,159)	(85,269)
Profit before taxation	1,157	1,326	(2,826)	5,382	5,150
Income tax expense	(324)	(149)	235	(1,030)	(1,164)
Net profit for the period	833	1,177	3,061	4,352	3,986

Summary Consolidated balance sheet (before appropriation of profit)

	At March 31,		At December 31,		
	2008	2007	2007	2006	2005
	(unaudited)				
			(EUR million)		
Asset					
Cash and cash equivalents	21,946	26,371	26,360	20,413	21,822
Assets held for trading	96,234	88,426	74,800	70,215	62,705
Due from banks	143,876	118,982	119,036	90,131	81,002
Due from customers	333,621	312,644	316,308	286,459	280,759
Total investments	192,939	196,505	206,280	202,434	193,069
Total assets	927,771	862,141	871,179	775,229	728,994
Liabilities					
Liabilities held for trading	112,202	87,606	89,589	64,308	50,562
Due to banks	209,840	208,675	192,431	177,481	175,183
Due to customers	274,253	266,298	262,298	254,225	252,603
Liabilities arising from insurance and investment contracts	66,635	61,881	64,732	59,764	56,109
Debt certificates	101,852	102,155	102,073	95,719	83,727
Subordinated liabilities	22,539	15,821	21,925	15,375	13,757
Other borrowings	1,737	2,149	3,018	2,149	1,699
Total liabilities	895,798	839,671	836,985	753,678	709,338
Shareholders' equity	30,833	21,563	33,047	20,644	18,929
Minority interests	1,140	907	1,147	907	727
Total equity	31,973	22,470	34,194	21,551	19,656
Total liabilities and equity	927,771	862,141	871,179	775,229	728,994

Other Financial Data

	At March 31,		At December 31,		
	2008	2007	2007	2006	2005
	(unaudited)				
Statistical data					
Group ratios					
Return on total equity[(1)]	13.9%	20.3%	14.9%	22.0%	20.4%
Return on assets[(2)]	0.4%	0.5%	0.5%	0.6%	0.5%
Average equity to average assets[(3)]	3.0%	2.5%	3.3%	2.6%	2.6%
Banking data					
Tier 1 ratio[(4)]	10.5%	6.5%	9.5%	7.1%	7.4%
Total capital ratio[(4)]	11.0%	10.5%	10.1%	11.1%	10.5%
Cost income ratio[(5)]	53.7%	61.1%	62.4%	61.2%	62.3%
Insurance data					
Embedded Value (EUR million)[(6)]	N.A.	N.A.	12,411	12,307	10,623
Claims ratio[(7)]	65.4%	69.2%	67.4%	61.2%	61.3%
Combined ratio[(8)]	96.7%	101.1%	100.1%	96.1%	96.0%

(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) Average equity as a percentage of average assets.

(4) Ratio of March 31, 2008 is in accordance with Basel II.

(5) 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.

(6) Embedded Value is an estimate of the economic value of a life company, excluding any value attributed to future new business. See "Glossary" and "Operating and Financial Review and Prospects — Insurance — European Embedded Value".

(7) 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.

(8) 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".

Terms of the Securities	
Issuer:	Fortis Hybrid Financing
Guarantors:	The Securities will have the benefit of a support agreement and subordinated guarantee entered into by Fortis Hybrid Financing's ultimate parent companies, Fortis SA/NV and Fortis N.V. (the "**Parent Companies**"). The guarantee agreement will constitute direct, unsecured and subordinated obligations of each Parent Company. "**Fortis Group**" refers to Fortis SA/NV, Fortis N.V. and the group of companies controlled or owned by them, including Fortis Hybrid Financing.
Issue:	Euro Denominated Perpetual Securities ("**Securities**")
Issue Date:	On or about May 30, 2008. The Issue Date will be notified to the CSSF and published on or about the Pricing Date on the website of the Luxembourg Stock Exchange (www.bourse.lu) and in the Euronext Daily Official List ("*Officiële Prijscourant*") of Euronext.
Issue Price:	100%
Coupon:	The Coupon rate is expected to be between 8.00% and 8.25% per annum. The Coupon shall be determined on the Pricing Date following the end of the public offer period as described herein. The Coupon will be notified to the CSSF and published on or about the Pricing Date on the website of the Luxembourg Stock Exchange (www.bourse.lu) and in the Euronext Daily Official List ("*Officiële Prijscourant*") of Euronext.
Coupon Payment:	Coupons on the Securities will be payable annually in arrear on or about May 30 of each year (a "**Regular Coupon Date**") beginning on or about May 30, 2009. 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 Securities otherwise payable on such Regular Coupon Date or otherwise, the coupons on the Securities will be payable on the Alternative Coupon Satisfaction Date and Fortis Hybrid Financing will give an Alternative Coupon Notice. If Fortis Hybrid Financing has 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. If no Trigger Event has occurred or is continuing, Fortis Hybrid Financing may give an Alternative Coupon Notice with respect to the next succeeding Regular Coupon Date, 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; provided that (x) if such Regular Coupon Date is not a Supported Coupon Date and (y) no Trigger Event has occurred or is continuing on such date, Fortis Hybrid Financing shall be

	obligated to use the Alternative Coupon Payment Method to pay the coupon due on such Regular Coupon Date (the "**Mandated Election**"). 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**". "**Trigger Event**" means (i) the sum of Fortis Group assets are less than the sum of its liabilities on a consolidated basis, excluding liabilities not considered Senior Debt; (ii) there has occurred a breach of the solvency requirements set forth in the Belgian Royal Decree dated November 21, 2005 relating to the consolidated supervision of financial conglomerates, as determined in accordance with a calculation method approved by the BFIC, to the extent such breach is caused by a consolidated loss of the Parent Companies as reflected in their last quarterly financial statements, unless the BFIC exempts Fortis Group from treating such breach as a Trigger Event (each of (i) and (ii), a "**Capital Deficiency Event**"); or (iii) there has occurred a breach of the solvency requirements set forth in the Belgian Royal Decree dated November 21, 2005 relating to the consolidated supervision of financial conglomerates, as determined in accordance with a calculation method approved by the BFIC, unless the BFIC exempts Fortis Group from treating such breach as a Trigger Event. "**Senior Debt**" means all liabilities of the Parent Companies (including those in respect of bonds, notes and debentures), whether senior or subordinated, other than liabilities of the Parent Companies which rank *pari passu* with or junior to the Subordinated Guarantee or the Securities.
Loss Absorption:	In the event of the occurrence of a Capital Deficiency Event, the boards of directors of the Parent Companies will convene an extraordinary shareholders' meeting to be held during the three months following the occurrence of such Capital Deficiency Event in order to propose a share capital increase or any other measure regarded as necessary or useful to remedy such event. If a share capital increase or any such other proposed measure is not adopted by the extraordinary shareholders' meetings of the Parent Companies or if the share capital increase is not sufficiently subscribed to remedy such Capital Deficiency Event in full, or if such Capital Deficiency Event remains in effect for six months following the occurrence of such event, the boards of directors of the Parent Companies will implement and cause Fortis Hybrid Financing to implement, within ten days following the date that is six months following the occurrence of such event, a proportionate reduction of the amount of the Current Principal Amount of each Security (a "**Loss Absorption**") necessary in order to remedy the Capital Deficiency Event to the fullest extent possible. Notwithstanding anything to the contrary, the nominal value of

	any Security shall never be reduced to an amount lower than one Euro cent (€0.01). The amount by which the aggregate Current Principal Amount of the Securities is reduced to enable the Parent Companies to absorb losses in order to ensure the continuity of their activities, will be the lower of (i) the amount by which the applicable regulatory solvency requirements exceed the solvency capital of the Parent Companies at the time of the Capital Deficiency Event and (ii) the aggregate amount of the Current Principal Amount of the Securities before such reduction. Outstanding Alternative Coupons will not be written down but may only be paid using the Alternative Coupon Payment Method. In the event of Loss Absorption, coupons will continue to accrue on the Current Principal Amount of the Securities but may only be paid using the Alternative Coupon Payment Method for as long as a Trigger Event exists. *For the avoidance of doubt, the first remedy to the Capital Deficiency Event will be the share capital increase or the implementation of any other measures adopted by the extraordinary shareholders' meetings of the Parent Companies to remedy such Capital Deficiency Event. To the extent such increase of share capital or other measures are not sufficient, the Loss Absorption will be applied against the Current Principal Amount of the Securities as herein described.* In the event that other Parity Securities (as defined below) which would be subject to such principal reductions are outstanding, such reduction will be applied on a pro-rata basis among the Securities and such other Parity Securities. "**Current Principal Amount**" of any Security means the principal amount of each Security outstanding at any time calculated on the basis of the Original Principal Amount of each Security as such amount may be proportionately reduced pursuant to the application of the Loss Absorption mechanism and/or reinstated on one or more occasions. "**Original Principal Amount**" of any Security means the initial denomination of €1,000 principal amount per Security.
Reinstatement:	If, following a Loss Absorption, the Parent Companies have recorded positive Consolidated Profit for at least two consecutive fiscal years (a "**Return to Profitability**") following the end of the most recent fiscal year in which there was a Loss Absorption, the Parent Companies may cause Fortis Hybrid Financing to increase, and in such case Fortis Hybrid Financing shall increase, the Current Principal Amount of each Security (a "**Reinstatement**") on any date and in an amount that they determine (either up to the Original Principal Amount or up to any other amount lower than the Original Principal Amount, but in each case proportionate to the denomination held by each holder), subject to any necessary regulatory approval. Irrespective of whether a Return to Profitability has occurred, the Parent Companies shall cause Fortis Hybrid Financing to increase, and Fortis Hybrid Financing shall

	increase, the aggregate Current Principal Amount of the Securities in an amount equal to the Mandatory Reinstatement Amount on the date of a Mandatory Reinstatement Event. For the avoidance of doubt, following a Reinstatement the aggregate Current Principal Amount of the Securities may never be greater than the aggregate Original Principal Amount of the Securities. In the event that other Parity Securities are outstanding and may also benefit from a reinstatement or an increase of their current principal amount in accordance with their terms, any Reinstatement will be applied on a pro rata basis with other reinstatements or increases of the principal amount made in such other Parity Securities. "**Consolidated Profit**" means the consolidated profit (excluding distributions to minority interests) of Fortis Group, as calculated and set out in the audited annual consolidated financial statements of Fortis Group. "**Mandatory Reinstatement Amount**" means the lesser of (i) the difference between the aggregate Original Principal Amount of the Securities and the aggregate Current Principal Amount of the Securities, and (ii) the positive Consolidated Profit of Fortis Group as set out in its latest audited annual Consolidated Financial Statements. Additionally, for the purpose of a Reinstatement pursuant to clause (ii) of the definition of "**Mandatory Reinstatement Event**", the Mandatory Reinstatement Amount will be computed so that the Securities will be reinstated by an increase in aggregate principal amount which is proportionate to the largest increase in principal amount of such Parity Securities. "**Mandatory Reinstatement Event**" means (i) a Restricted Payment or (ii) the increase by the Parent Companies or Fortis Hybrid Financing of the principal amount of any Parity Securities other than the Securities, the terms of which contain a provision for the reinstatement of their principal amount similar to that of the Securities.
Reinstatement upon Liquidation or Bankruptcy:	In the event of a judicial or voluntary liquidation (*liquidation judiciaire ou volontaire/gerechtelijke of vrijwillige vereffening*) or bankruptcy (*faillite/faillissement*) of a Parent Company or Fortis Hybrid Financing, the Parent Companies or Fortis Hybrid Financing shall cause a Reinstatement, as necessary, in an amount up to the Original Principal Amount of the Securities, subject to any necessary regulatory approval. The rights of holders of Securities in the event of such liquidation or bankruptcy will be calculated on the basis of (i) the Original Principal Amount of the Securities they hold, plus (ii) an amount equal to unpaid coupons, if any, thereon with respect to the current Coupon Period accrued on a daily basis through the date of the decision of the court or the shareholders' meeting relating to the liquidation or of the decision of the court relating to the bankruptcy, as the case may be, plus (iii) an amount equal to unpaid Alternative Coupons, if any; provided that the amount of

	any claim related to such Alternative Coupons (whether against Fortis Hybrid Financing or the Parent Companies) may not exceed an amount equal to 25% of the Original Principal Amount of the Securities. No payments will be made to the holders of Securities before all amounts due, but unpaid, to all other senior and subordinated creditors of the liquidated or bankrupt entity have been paid by the Parent Companies or Fortis Hybrid Financing.
Dividend Stopper:	Fortis Hybrid Financing will agree, and the Parent Companies will agree in the Support Agreement, that, in the case of any Exceptional Alternative Coupon, beginning on the day Fortis Hybrid Financing gives an Alternative Coupon Notice, and in the case of any Elective Alternative Coupon, beginning on the relevant Regular Coupon Date relating to such 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 Fortis Hybrid Financing and 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 cause that no vote is made by any of its subsidiaries, in favor of any of the actions of Fortis Hybrid Financing described in clauses (A) (i) and (ii) above; provided that the foregoing restriction shall not apply (i) to a dividend, distribution, payment or redemption in respect of any Exempt Share Class (as defined below) 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.
Supported Coupons:	If during the Relevant Period Fortis Hybrid Financing or either Parent Company (A) declares any dividend or makes any distribution or other payment on any Ordinary Shares or Parity Securities or (B) redeems, repurchases or otherwise acquires any Ordinary Shares or Parity Securities (other than pursuant to a Permitted Share Acquisition) (the foregoing events (A) and (B) each referred to as a "**Restricted Payment**") the Parent Companies will, subject to the terms of the Support Agreement, jointly and severally contribute or cause to be contributed to the capital of Fortis Hybrid Financing or otherwise make available such funds as may be necessary to permit Fortis Hybrid Financing to pay in full the coupon payable on each Regular Coupon Date occurring during the Relevant Period (a "**Supported Coupon**"), each such date a "**Supported Coupon Date**"; provided that if a Trigger Event shall have occurred prior to such Regular Coupon Date and is continuing on such Regular Coupon Date, the

	Supported Coupon Date shall be such date as provided for in clause (i) of the definition of Alternative Coupon Satisfaction Date. Fortis Hybrid Financing will be permitted, but shall not be required, to satisfy its obligation to pay the coupon payable on a Supported Coupon Date in accordance with the Alternative Coupon Payment Method; provided, however, that if a Trigger Event has occurred and is continuing on such Supported Coupon Date, Fortis Hybrid Financing will be required to satisfy its obligation to pay such coupon payable on a Supported Coupon Date in accordance with the Alternative Coupon Payment Method. "**Relevant Period**" means one year.
Exempt Share Class:	The currently authorized number of 1,820 million cumulative preference shares in the capital of Fortis N.V. or any successor thereto of €0.42 each (an "**Exempt Share Class**") shall be exempt from the dividend stopper and Supported Coupon provisions to the extent described above. 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 and Supported Coupon provisions described above. "**Replacement Preference Shares**" means any preference shares to be created or issued by either Parent Company in connection with the merger, consolidation, amalgamation or other combination of an entity with and into such Parent Company in which 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.
SPV Parity Securities:	"**SPV Parity Securities**" means any preferred or preference shares or profit-sharing certificates (*parts bénéficiaires*) of Fortis Hybrid Financing and any securities which rank or are expressly stated to rank *pari passu* with the Securities (collectively, "**SPV Parity Shares**") or any securities which are expressly stated to rank junior to the Securities ("**SPV Junior Securities**"). For the avoidance of doubt, the Perpetual Securities issued by Fortis Hybrid Financing on February 27, 2008 and June 20, 2006 are SPV Parity Shares. Fortis Hybrid Financing will covenant in the Indenture not to issue any guarantees of any debt securities of any Person.
Parent Company Parity Securities:	"**Parent Company Parity Securities**" means (i) any preferred or preference shares and any securities of either Parent Company which rank or are expressly stated to rank *pari passu* with the Securities, SPV Parity Shares or the Subordinated Guarantee ("**Parent Company Parity Shares**") or any securities of either Parent Company which rank or are expressly stated to rank junior to the Securities, SPV Parity Shares or the Subordinated Guarantee ("**Parent Company Junior Securities**"), (ii) guarantees by either or both Parent Companies (whether through an agreement or instrument labeled as a guarantee, as a support agreement, or with some other name but with an effect similar to a guarantee or support agreement) of any preferred securities or

	preferred or preference shares issued by any of either Parent Company's subsidiaries (including Fortis Hybrid Financing), which guarantees rank or are expressly stated to rank *pari passu* with the Securities or SPV Parity Shares or rank *pari passu* with Parent Company Parity Shares ("**Parent Company Parity Guarantees**") or which guarantees rank or are expressly stated to rank junior to the Securities or SPV Parity Shares or rank junior to Parent Company Parity Shares ("**Parent Company Junior Guarantees**") and (iii) securities issued by any subsidiary of either Parent Company (including Fortis Hybrid Financing) that are guaranteed under any Parent Company Parity Guarantee or Parent Company Junior Guarantee. For the avoidance of doubt, the (i) undated Floating Rate Equity-linked Subordinated Hybrid (FRESH) Capital Securities issued by Fortfinlux S.A. on May 7, 2002, (ii) Mandatory Convertible Securities (MCS) issued by Fortis Bank Nederland (Holding) N.V. , Fortis Bank nv-sa, Fortis SA/NV and Fortis N.V. on December 7, 2007 and (iii) Convertible And Subordinated Hybrid Equity-linked Securities (CASHES) issued by Fortis Bank nv-sa on December 19, 2007 are Parent Company Parity Securities. Parent Company Parity Securities and SPV Parity Securities are collectively referred to as "**Parity Securities**", Parent Company Parity Shares and SPV Parity Shares are collectively referred to as "**Parity Shares**" and Parent Company Junior Securities and SPV Junior Securities are collectively referred to as "**Junior Securities**".
SPV Ordinary Shares:	SPV Ordinary Shares means ordinary shares of Fortis Hybrid Financing. "**Parent Company Ordinary Shares**" means ordinary shares of either 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. SPV Ordinary Shares and Parent Company Ordinary Shares are referred to collectively as "**Ordinary Shares**".
Alternative Coupon Payment Method:	Fortis Hybrid Financing will be required to satisfy its obligation to pay any Alternative Coupon on the Alternative Coupon Satisfaction Date relating to such coupon (the "**Alternative Coupon Payment Method**"). In respect of any coupon which Fortis Hybrid Financing will pay using the Alternative Coupon Payment Method, Fortis Hybrid Financing shall give notice (an "**Alternative Coupon Notice**") to the Trustee, any paying agent, any Calculation Agent and the holders that Fortis Hybrid Financing will satisfy the Elective Alternative Coupon or Exceptional Alternative Coupon (collectively, an "**Alternative Coupon**") payable on the applicable Regular Coupon Date using the Alternative Coupon Payment Method. In respect of an Elective Alternative Coupon, except in the case of a Mandated Election, Fortis Hybrid Financing may give an Alternative Coupon Notice in its sole discretion and for any reason. Alternative Coupons are mandatorily payable with the

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

The Trustee will contribute the Alternative Coupons to the capital of the Parent Companies in exchange for issue by the Parent Companies of Fortis Shares having an aggregate fair market value equal to the aggregate amount of Alternative Coupons that will be payable on such Alternative Coupon Satisfaction Date. The Trustee will collect any sales proceeds and use them towards the payment of Alternative Coupons.

The payment of Exceptional Alternative Coupons on an Alternative Coupon Satisfaction Date will be in full satisfaction of Fortis Hybrid Financing's obligation to pay such Exceptional Alternative Coupons, without regard to whether the net sales proceeds ultimately delivered to the holders of the Securities 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 shall occur and be continuing.

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

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 Fortis Hybrid Financing shall make such additional payments as shall be necessary to ensure the coupon is paid in full and, in the case of any coupon payable on a Supported Coupon Date, if Fortis Hybrid Financing is unable to make such payments the Parent Companies shall make such additional payments in accordance with the support agreement.

"**Fortis Share**" means a unit comprising 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 issued by either Parent Company.

"**Alternative Coupon Satisfaction Date**" shall be a date, subject to a Postponement Event, which is (i) in the case of an Exceptional Alternative Coupon or a Supported 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 Fortis Hybrid Financing shall use its best efforts to satisfy an Exceptional Alternative Coupon within 30 calendar days following the first Regular Coupon Date after such Trigger Event first occurred, or

	(ii) in the case of an Elective Alternative Coupon or a Supported Coupon with respect to which Fortis Hybrid Financing elects to use the Alternative Coupon Payment Method, the relevant Regular Coupon Date.
Postponement Event:	Any Alternative Coupon shall be payable on an Alternative Coupon Satisfaction Date. However, if any Postponement Event shall occur, Fortis Hybrid Financing's obligation to make payment using the Alternative Coupon Payment Method shall be deferred until a Postponement Event is no longer continuing. "**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 by the Parent Companies, the available Ordinary Shares of either Parent Company are not sufficient to raise any amount of the Alternative Coupons that would otherwise be payable 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 the issuance of sufficient ordinary shares, • the Parent Companies are subject to a "blackout" 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 blackout period or such blackout period has otherwise terminated, or • as a result of any covenant, undertaking, guarantee or other similar provision in any Senior and Subordinated Indebtedness and/or Parity Securities (other than Junior Securities and Junior Guarantees), either Fortis Hybrid Financing or the Parent Companies would not be permitted to pay any Alternative Coupon because Fortis Hybrid Financing or the Parent Companies has not satisfied its obligations under such Senior and Subordinated Indebtedness and/or Parity Securities (other than Junior Securities and Junior Guarantees), as the case may be.
General concursus creditorum:	*General concursus creditorum* means with respect to (i) Fortis Hybrid Financing, any concursus creditorum (*concours de créanciers*) on the entire assets of Fortis Hybrid Financing, including bankruptcy (*faillite*), moratorium (*concordat judiciaire*), suspension of payment (*sursis de paiement*), controlled management (*gestion contrôlée*) and judicial or voluntary liquidation (*liquidation judiciaire ou volontaire*), (ii) Fortis SA/NV, any concursus creditorum (*concours de créanciers/samenloop van schuldeisers*) on the entire assets of Fortis SA/NV, including bankruptcy (*faillite/faillissement*), moratorium (*concordat judiciaire/gerechtelijk akkoord*) and

	judicial or voluntary dissolution and liquidation (*dissolution et liquidation judiciaire ou volontaire/gerechtelijke of vrijwillige ontbinding en vereffening*), except in the latter case for corporate reorganizations involving a voluntary dissolution without liquidation (*dissolution volontaire sans liquidation/vrijwillige ontbinding zonder vereffening*) as referred to in Articles 671-676 of the Belgian Code of Companies and (iii) Fortis N.V., bankruptcy (*faillissement*), moratorium of payments (*surséance van betaling)* or dissolution (*ontbinding*).
Optional Redemption:	The Securities are not redeemable at the option of the holders thereof at any time and are not redeemable at the option of Fortis Hybrid Financing prior to the First Call Date, except in certain circumstances upon the occurrence of a Tax Event or a Tier 1 Disqualification Event. Following the First Call Date, Fortis Hybrid Financing may redeem the Securities, in whole or in part, on any Regular Coupon Date at the Base Redemption Price. The redemption price for such redemptions will be (i) 100% of the Original Principal Amount of the Securities, plus (ii) an amount equal to unpaid coupons, if any, thereon with respect to the then-current Coupon Period accrued on a daily basis through the date fixed for redemption, plus (iii) an amount equal to unpaid Alternative Coupons, if any (the "**Base Redemption Price**"). Any optional redemption of Securities is subject to compliance with applicable regulatory requirements, including the prior approval of the BFIC. In any event, no redemption of Securities will be permitted if, (i) before or after giving effect to such redemption a Trigger Event has occurred and is continuing or would occur, or (ii) a Loss Absorption has occurred and the Securities have not yet been reinstated in full, unless the BFIC approves a redemption in such circumstances at 100% of the Original Principal Amount of the Securities. "**First Call Date**" means May 30, 2013 or such other date that will be the fifth anniversary of the Issue Date.
Tax Event:	Upon the occurrence of a Tax Event, Fortis Hybrid Financing will have the right at any time to redeem the Securities in whole (and not in part) at the Base Redemption Price. "**Tax Event**" means the receipt by Fortis Hybrid Financing of an opinion of a nationally recognized law firm or other tax adviser (which may be an accounting firm) in Luxembourg experienced in such matters to the effect that, as a result of (i) any amendment to, clarification of, or change (including any announced prospective change) in, the laws or treaties (or any regulations thereunder) of Luxembourg or any political subdivision or taxing authority thereof or therein affecting taxation, (ii) any Administrative Action or (iii) any amendment to, clarification of, or change in the official position on the interpretation of any Administrative Action or any interpretation or pronouncement that provides for a position with respect to any Administrative Action that differs from the theretofore generally accepted position, in each case, by any legislative body, court, governmental authority or regulatory body, irrespective of the manner in which such amendment, clarification,

	change, interpretation or pronouncement is made known, which amendment, clarification or change is effective or which interpretation or pronouncement is announced on or after the Issue Date of the Securities there is more than an insubstantial risk that (A) Fortis Hybrid Financing is or will be required to pay any Additional Amounts or (B) any interest deduction or other similar direct or indirect tax benefit available to Fortis Hybrid Financing under Luxembourg law in respect of the Current Principal Amount of the Securities is eliminated, reduced or otherwise adversely affected in any material respect.
Tier 1 Disqualification Event:	Upon the occurrence of a Tier 1 Disqualification Event, Fortis Hybrid Financing will have the right at any time to redeem the Securities in whole (and not in part) at the Base Redemption Price. "**Tier 1 Disqualification Event**" means the receipt by either of the Parent Companies of an opinion, declaration, rule or decree of the BFIC to the effect that there has been a change in (i) the law or regulation or (ii) the interpretation thereof, resulting in more than an insubstantial risk that the Securities (or any portion thereof) will not be eligible to be included in calculating the Tier 1 capital of Fortis Group. Any redemption of Securities upon the occurrence of a Tax Event or a Tier 1 Disqualification Event is subject to compliance with applicable regulatory requirements, including the prior approval of the BFIC. In any event, no redemption of Securities will be permitted if and to the extent that, (i) before or after giving effect to such redemption a Trigger Event has occurred and is continuing or would occur, or (ii) a Loss Absorption has occurred and the Securities have not yet been reinstated in full, unless the BFIC approves a redemption in such circumstances at 100% of the Original Principal Amount of the Securities.
Additional Amounts:	All payments in respect of the Securities will be made free and clear of and without withholding or deduction for or on account of any present or future taxes, duties, or other governmental charges of whatever nature imposed or levied by or on behalf of Luxembourg or any political subdivision thereof or any authority or agency therein or thereof having the power to tax ("**Relevant Tax**"), unless the withholding or deduction is required by law. If at any time Fortis Hybrid Financing is required to withhold or deduct any Relevant Tax with respect to any payments on the Securities, Fortis Hybrid Financing will be required to pay such additional amounts ("**Additional Amounts**") as shall be required so that the net amount received by each holder of Securities after the withholding or deduction of any such Relevant Tax will not be less than the amount then due and payable to each holder of Securities in the absence of such withholding or deduction.
Subordination of the Securities:	The Securities, as obligations of Fortis Hybrid Financing, are contractually subordinated to Senior and Subordinated Indebtedness of Fortis Hybrid Financing. The payment obligations of Fortis Hybrid Financing under the Securities constitute unsecured subordinated obligations of Fortis Hybrid Financing.

	The claims of the holders of the Securities for payment by Fortis Hybrid Financing under the Securities will rank: (i) behind (junior to) the claims of holders of Senior and Subordinated Indebtedness; (ii) *pari passu* with claims of holders of Other *Pari passu* Claims; and (iii) before (senior to) (x) the claims for payment of any obligation that, expressly or by applicable law, is subordinated to the Securities and (y) the claims of holders of SPV Ordinary Shares. The debt evidenced by the Securities is subordinated in right of payment, to the extent and in the manner provided in the Indenture, to the prior payment of all existing and future Senior and Subordinated Indebtedness. The subordination provisions are for the benefit of and enforceable by the holders of Senior and Subordinated Indebtedness of Fortis Hybrid Financing. The Parent Companies will give an unconditional and irrevocable Subordinated Guarantee for the due payment of the Base Redemption Price payable when the Securities become payable in accordance with their terms in the event of a judicial or voluntary liquidation or bankruptcy of Fortis Hybrid Financing. "**Senior and Subordinated Indebtedness**" means all liabilities of Fortis Hybrid Financing (including those in respect of bonds, notes and debentures (whether senior or subordinated)), other than liabilities of Fortis Hybrid Financing under the Securities or SPV Parity Securities. "**Other *Pari passu* Claims**" means claims of creditors of Fortis Hybrid Financing which are subordinated so as to rank *pari passu* with claims in respect of the Securities.
Limitation on Remedies:	A "**Remedies Event**" occurs if (1) Fortis Hybrid Financing fails to pay any Alternative Coupons due and payable on the Alternative Coupon Satisfaction Date with respect thereto and such failure continues for a period of 30 days; or (2) Fortis Hybrid Financing fails to pay any Supported Coupons due and payable on the Supported Coupon Date with respect thereto and such failure continues for a period of 30 days. *Consequences of a Remedies Event* If a Remedies Event occurs and is continuing under the Indenture, the Trustee or the holders of at least 25% in aggregate Current Principal Amount then outstanding, by written notice to Fortis Hybrid Financing (and to the Trustee if the notice is given by the holders), may, and the Trustee at the request of such holders shall (provided that the Trustee is secured and/or indemnified to its satisfaction), institute proceedings to obtain the payment of the amounts due or compliance with the defaulted covenant or agreement or to obtain the bankruptcy of Fortis Hybrid Financing (or any analogous proceeding which may be available from time to time under the laws of Luxembourg). Neither the Trustee nor

	the holders may declare the principal amount of the Securities due and payable. No remedy against Fortis Hybrid Financing, other than the institution of the proceedings referred to above or resulting in the liquidation of Fortis Hybrid Financing, shall be available to the holders of the Securities in respect of any Remedies Event except as otherwise provided in the Subordinated Guarantee.
Further Issues:	Additional securities may from time to time, without the consent of the holders of the Securities, be created and issued with the same terms and conditions as the Securities in all respects (or in all respects save for the first payment of interest thereon) so that such further issue shall be consolidated and form a single series with the respective Securities.
Support Agreement:	The Parent Companies will, in accordance with the terms of the Support Agreement, agree to make certain capital contributions in connection with Supported Coupons and payment of Additional Amounts. In addition, each Parent Company will make certain undertakings regarding dividend payments and Loss Absorption.
Subordinated Guarantee:	The Parent Companies will jointly and severally guarantee certain obligations of Fortis Hybrid Financing, including payment of the Base Redemption Price if such payment is due and Fortis Hybrid Financing is in bankruptcy or liquidation.
Governing Law of the Securities:	State of New York, except the subordination and meetings of shareholders provisions, which will be governed by the laws of Luxembourg.

Public Offer

The Securities will be offered by certain banks, financial intermediaries and other authorized entities to the public in certain jurisdictions in Switzerland and in the European Economic Area, including Austria, Belgium, France, Germany, Ireland, Italy, Luxembourg, Portugal, Spain, The Netherlands, the United Kingdom and the Principality of Liechtenstein during a period ending no later than 5:00 p.m. CET on or about May 23, 2008. Such offers shall not commence until all requirements necessary to any such offer to be made in accordance with all applicable laws, rules and regulations in such jurisdiction. (See "Terms and Conditions of the Public Offer").

Risk Factors

Prior to making an investment decision, prospective investors should read carefully the matters discussed under "Risk Factors". Such risk factors include:

Risks relating to Our Business

- As part of the financial services industry, we face substantial competitive pressures which could adversely affect our results of operations.
- Market conditions and volatility can adversely affect our results, including losses resulting from continuing impairments on structured credit instruments.
- Securities market volatility or downturns can adversely affect our banking, asset management and insurance activities.
- Volatility in interest rates may adversely affect our insurance, banking and asset management businesses.

- Asset illiquidity can adversely affect our business.
- 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.
- While we manage our operational risks, these risks remain an inherent part of all of our businesses.
- Our insurance business is subject to risks concerning the adequacy of our technical provisions to cover future losses and benefits.
- We have significant counterparty risk exposure.
- Catastrophic events, terrorist attacks and other acts of war could have a negative impact on our business and results.
- Our results of operations can be adversely affected by significant adverse regulatory developments, including changes in tax laws.
- Our business is sensitive to changes in governmental policies and international economic conditions that could limit our operating flexibility and reduce our profitability.
- Litigation or other proceedings or actions may adversely affect our business, financial condition and results of operations.

Risks relating to our Acquisition of the ABN AMRO Businesses

- 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.
- We may fail to realize the anticipated business growth opportunities, synergies and other benefits anticipated from the ABN AMRO Acquisition and our results of operations, financial condition and the price of our ordinary shares may suffer.
- 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.
- 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.
- We conducted only a limited due diligence review of ABN AMRO in making the ABN AMRO Acquisition and, only since December 2007 have we obtained 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's financial condition and results of operations.
- Consummation of the ABN AMRO Acquisition may result in adverse tax consequences resulting from a change of ownership of ABN AMRO.
- Change of control provisions in ABN AMRO's agreements may be triggered upon the completion of the ABN AMRO Acquisition, 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.

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

Risks relating to the Securities

- Holders of Securities may not receive full payment of coupons.
- In the event of Loss Absorption the principal amount of the Securities will be written down and coupons will be reduced or, if the principal amount is fully written down, coupons could stop. If Loss Absorption should occur there is no assurance that the principal amount of the Securities will be written back up although the principal amount will be reinstated in the event of a judicial or voluntary liquidation or bankruptcy of a Parent Company or Fortis Hybrid Financing.
- Fortis Hybrid Financing may redeem the Securities (i) at any time upon the occurrence of a Tax Event or a Tier 1 Disqualification Event or (ii) on the First Call Date or on any Regular Coupon Date thereafter.
- Holders of Securities have no voting rights.
- As Securities will be issued in global form, holders of Securities have no direct relationship with Fortis Hybrid Financing or with the Parent Companies.
- There has been no prior public market for the Securities.
- The Securities are undated securities.
- Holders of Securities are exposed to risks associated with fixed rate securities. Movements of the market interest rate can adversely affect the price of the Securities and lead to losses upon a sale.

Risks related to Fortis Hybrid Financing

- Fortis Hybrid Financing is a special purpose vehicle with no operations of its own. The primary credit protection for investors derives from the Support Agreement and Subordinated Guarantee from the Parent Companies, it being understood that all obligations of the Parent Companies under the Subordinated Guarantee are deeply subordinated. In addition, Fortis Hybrid Financing may onlend the proceeds of the offering of Securities to any of Fortis's operating companies as solvency capital. As a result, Fortis Hybrid Financing's ability to meet its obligations will be largely dependent on the financial condition of the operating companies who receive the proceeds of the offering.

Risks relating to the Parent Companies

- Security holders' rights under the Support Agreement and Subordinated Guarantee are limited.
- The ability of the Parent Companies to make payments under the Support Agreement and the Subordinated Guarantee depends primarily on the earnings of their subsidiaries and their ability to distribute such earnings to the Parent Companies; these subsidiaries are highly regulated and such regulations could impose restrictions on such distributions.

Risks relating to Fortis Hybrid Financing and the Parent Companies

- Fortis Hybrid Financing and the Parent Companies may issue additional debt.
- Regulatory authorities have oversight powers over the Fortis Group.

RISK FACTORS

Any investment in the Securities 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 Securities is suitable for you. If any of the following risks actually occur, the trading price of the Securities could decline and you could lose all or part of your investment. Additional risks not currently known to Fortis or Fortis Hybrid Financing or that Fortis or Fortis Hybrid Financing now deems immaterial may also harm Fortis or Fortis Hybrid Financing 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 (including the ABN AMRO Businesses we acquired). Such competition is most pronounced in our core Benelux markets 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 and/or those of the ABN AMRO Businesses.

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 (including with respect to the ABN AMRO Businesses we acquired) to maintain or increase profitability.

Market conditions and volatility can adversely affect our results, including losses resulting from continuing impairments on structured credit instruments.

Each of our business segments (including the ABN AMRO Businesses we acquired) 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. The financial performance of the ABN AMRO Businesses that we have acquired can also be affected by changes in general economic conditions and other business conditions. 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 2007, 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 subprime residential mortgage markets, particularly in the U.S. but also worldwide, have experienced severe dislocations and liquidity disruptions. Subprime mortgage loans have experienced increased rates of delinquency, foreclosure and impairments since 2007. These and other related events have had a significant impact on the capital markets associated not only with subprime mortgage backed securities, asset backed securities and collateralized debt obligations, but also with credit and financial markets as a whole. These events have also adversely affected monoline insurers and other market participants, resulting in a risk for the monoline insurers of ratings downgrades. If the monoline insurers' and other market participants' credit ratings weaken, the weaker credit of such entities may affect the values of hedges and other transactions with them as counterparties and result in write downs of the values of the assets represented by such instruments. As a result, financial institutions world-wide have been operating, and continue to 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 and our profitability as a whole.

Although we do not have any direct mortgage financing activities in the U.S., we are exposed to the U.S. subprime mortgage market through our ownership of mortgage backed securities, asset backed securities and collateralized debt obligations. As these securities and obligations are accounted for on a fair value basis, it is necessary to mark-to-market such securities and obligations. The valuation of such securities and obligations has, particularly in recent months, become increasingly complex and subject to significant uncertainty in light of the illiquidity of certain of the underlying obligations, with financial institutions applying different valuation models to reflect both actual and perceived underlying risk profiles of such securities or obligations when market prices are not available. Valuations may vary significantly according to the particular valuation models and assumptions applied to holdings of such securities and obligations. Such valuation models and assumptions may need to be changed to reflect more current information relating to the underlying risk profiles of those holdings, possibly resulting in significant write downs in the value attributed to those holdings with a consequent impact on the balance sheet and income statements of such institutions. Since Fortis holds portfolios of mortgage backed securities, asset backed securities and collateralized debt obligations, it is accordingly subject to these uncertainties in relation to the value attributable to those holdings and it is possible that significant write downs in the values (resulting in unrealized losses) attributed to those holdings may be necessary from time to time to reflect any adverse developments in the risk profile of those assets. In addition, the values of many of the other instruments we hold and invest in are sensitive to dislocations and disruptions in the credit markets (such as leveraged loans) 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, monoline insurers, 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 2007, however, both the credit and the equity markets have been very volatile. There is no assurance that such 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 (including the banking operations we acquired as part of the ABN AMRO Businesses) 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 (including the banking operations we acquired as part of the ABN AMRO Businesses).

Asset illiquidity can adversely affect our business.

Liquidity risk is inherent in much of our business, including the ABN AMRO Businesses. 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.

Any downgrade in our ratings may increase our borrowing costs, limit our access to capital markets and adversely affect our ability to sell or market our 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.

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, including those of the ABN AMRO businesses, 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 behavior. 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 modeling 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 modeling 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 our business, including the ABN AMRO Businesses, 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, including the ABN AMRO Businesses, inherently generates operational risks. These businesses are 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 these businesses, 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 and exposure to systemic risks.

Our business, including the ABN AMRO Businesses, are subject to general credit risks, including credit risks of borrowers and other counter parties, 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.

In addition, 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.

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. 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, including those of the ABN AMRO Businesses, 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 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 realization 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's 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, minimizing 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 only recently gained 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. While 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 Acquisition 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 States, 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's 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 Acquisition — Regulatory Matters" below) and it may impose further restrictions and conditions, some of which may adversely affect Fortis's 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's 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 Acquisition — Regulatory Matters" below.

We conducted only a limited due diligence review of ABN AMRO in making the ABN AMRO Acquisition and, only since December 2007 did we obtain 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's financial condition and results of operations.

In making the ABN AMRO Acquisition 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 for 2006, 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 of the ABN AMRO Acquisition. We 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 in connection with our making the ABN AMRO Acquisition. Although we have had access to additional ABN AMRO information since December 2007, we continue to be in the process of integration of the ABN AMRO Businesses and there can be no assurance that we will not be subject to unknown liabilities of ABN AMRO, which may have an adverse effect on Fortis's financial condition and results of operations.

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

We only gained access to information (other than publicly available information) concerning ABN AMRO's tax situation in December 2007. It is possible that the consummation of the ABN AMRO Acquisition 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 Acquisition, 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, licenses and other agreements and instruments that contain change of control provisions that will be triggered upon the completion of the ABN AMRO Acquisition, upon RFS Holdings' acquisition of 100% of ABN AMRO or upon completion of the reorganization.

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 Acquisition, 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 Acquisition, 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 Acquisition.

Fortis expects to incur a number of non-recurring transaction fees and other costs associated with completing the ABN AMRO Acquisition, 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 realization 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.

Risk Factors Relating to a Purchase of the Securities

Holders of Securities may not receive full payment of coupons.

Fortis Hybrid Financing will be permitted to satisfy its obligations on an Alternative Coupon Satisfaction Date only by means of the Alternative Coupon Payment Method. The Alternative Coupon Payment 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, Fortis Hybrid Financing is nonetheless deemed to have satisfied its obligation in full and holders of the Securities 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 Payment Method".

In the event of Loss Absorption the principal amount of the Securities will be written down and coupons will be reduced or, if the principal amount is fully written down, coupons could stop. If Loss Absorption should occur there is no assurance that the principal amount of the Securities will be written back up although the principal amount will be reinstated in the event of a judicial or voluntary liquidation or bankruptcy of a Parent Company or Fortis Hybrid Financing.

If a Capital Deficiency Event should occur, and such Capital Deficiency Event cannot be cured by means of a capital increase, the principal amount of the Securities will be reduced (a "**Loss Absorption**") by an amount sufficient to remedy the Capital Deficiency Event to the extent possible. Under certain circumstances this means the principal amount of the Securities could be fully reduced (although no lower than EUR 0.01). Although coupons will continue to be paid following a Loss Absorption, the amount of such coupons will be calculated on the basis of the then reduced principal amount. As a result, unless the principal amount of the Securities is reinstated (which could occur if the Parent Companies record positive consolidated profit for two years), coupons will be reduced or could be stopped. As a result, depending on the application of the Loss Absorption mechanism, coupons may fluctuate and such fluctuations could be material. In addition, for so long as a Trigger Event exists, coupons may only be paid using the Alternative Coupon Payment Method.

In addition, although under certain circumstances the principal amount of the Securities may be reinstated and under certain circumstances it will be mandatory, there can be no assurance that Reinstatement will occur. As a result, coupon payments may be reduced or stopped as noted above. Notwithstanding the foregoing, in the event of a judicial or voluntary liquidation or bankruptcy of a Parent Company or Fortis Hybrid Financing, there shall be a full Reinstatement of the principal amount of the Securities.

Fortis Hybrid Financing may redeem the Securities (i) at any time upon the occurrence of a Tax Event or a Tier 1 Disqualification Event or (ii) on the First Call Date or on any Regular Coupon Date thereafter.

The Securities are perpetual and have no final maturity date and holders of Securities have no right to call for the redemption of the Securities. However, Fortis Hybrid Financing may elect to redeem the Securities (in whole not in part) upon the occurrence of a Tax Event or a Tier 1 Disqualification Event, whether before or after the First Call Date, or for any reason (in whole or in part), on the First Call Date or on any subsequent Regular Coupon Date, in each case subject to the prior approval of the BFIC, if then required.

Holders of Securities have no voting rights.

Holders of the Securities will not have any voting rights, except as described under "Description of the Securities — Meetings of Shareholders and Right to Information".

As Securities will be issued in global form, holders of Securities have no direct relationship with Fortis Hybrid Financing or with the Parent Companies.

All notices and payments to be delivered to holders of Securities will be distributed by Fortis Hybrid Financing 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 Hybrid Financing or Fortis therefor.

There has been no prior public market for the Securities.

The Securities constitute a new issue of securities and have no established trading market. Prior to this offering, there has been no public market for the Securities. Although application has been made to list the Securities on the official list of the Luxembourg Stock Exchange and Euronext Amsterdam, there can be no assurance that an active public market for the Securities will develop, and if such a market were to develop, there is no obligation to maintain such a market. The liquidity and the market prices for the Securities can be expected to vary with changes in market and economic conditions, the financial condition and prospects of Fortis Hybrid Financing and the Fortis Group and other factors that generally influence the market prices of securities. Such fluctuations may significantly affect the liquidity and the market prices of the Securities, which may trade at a discount to the price at which you purchase the Securities. In addition, there is no assurance that a trading market for the Securities will exist and no assurance as to the liquidity of any trading market.

The Securities are undated securities.

The Securities are undated securities, with no specific maturity date. The Issuer is under no obligation to redeem the Securities at any time. The holders of the Securities have no right to require redemption of the Securities.

Holders of the Securities are exposed to risks associated with fixed rate securities. Movements of the market interest rate can adversely affect the price of the Securities and lead to losses upon a sale.

A holder of securities with a fixed compensation rate is exposed to the risk that the price of such securities falls as a result of changes in the market interest rate. While the nominal Coupon of the Securities is fixed until redemption, if any, of the Securities, the current interest rate on the capital market (market interest rate) typically changes on a daily basis. As the market interest rate changes, the price of the Securities changes in the opposite direction. If the market interest rate increases, the price of the Securities would typically fall and if the market interest rate falls, the price of the Securities would typically increase. Hence, holders of the Securities should be aware that movements of the market interest rate can adversely affect the price of the Securities and can lead to losses if holders sell their Securities during the period in which the market interest rate is higher than the compensation.

Risks Related to Fortis Hybrid Financing

Fortis Hybrid Financing is a special purpose vehicle with no operations of its own. The primary credit protection for investors derives from the Support Agreement and Subordinated Guarantee from the Parent Companies, it being understood that all obligations of the Parent Companies under the Subordinated Guarantee are deeply subordinated. In addition, Fortis Hybrid Financing may onlend the proceeds of the offering of Securities to any of Fortis's operating companies as solvency capital. As a result, Fortis Hybrid Financing's ability to meet its obligations will be largely dependent on the financial condition of the operating companies who receive the proceeds of the offering.

Fortis Hybrid Financing is a special purpose vehicle with no operations of its own. As a result, the primary credit protection for investors derives from the Support Agreement and Subordinated Guarantee from the Parent Companies, it being understood that all obligations of the Parent Companies under the Subordinated Guarantee are deeply subordinated. As a result, the rights of holders under the Securities to participate in the distribution of assets of Fortis Hybrid Financing upon Fortis Hybrid Financing's liquidation will be effectively subordinated to substantially all existing and future liabilities of the operating companies to which the proceeds are lent and of the Parent Companies.

Fortis Hybrid Financing will loan the proceeds from this offering to certain of the Group's operating companies in a form which will permit the operating company to treat such loan as solvency capital. Under certain circumstances, such operating companies may under the terms of the internal loan be unable to make payment. Fortis Hybrid Financing will only be able to make coupon payments on the Securities, subject to support arrangements, if it receives payments from the operating companies which have been the recipients of the loans. Investors are, therefore, also exposed to the operating performance of the operating companies to which Fortis Hybrid Financing may lend proceeds, which performance could change over time.

As Fortis Hybrid Financing's ability to meet its obligations will be reliant on the financial condition of the operating companies, if such operating companies' financial condition were to deteriorate and to the extent that funds are not available through the Support Agreement or the Subordinated Guarantee, Fortis Hybrid Financing and holders of Securities could suffer direct and materially adverse consequences, including insufficient coupon payments on the Securities through the Alternative Coupon Payment Method and, if a liquidation or bankruptcy of Fortis Hybrid Financing were to occur, loss by holders of all or part of their investment.

Risk Related to the Parent Companies

Security holders' rights under the Support Agreement and Subordinated Guarantee are limited.

Each Parent Company's obligations under the Support Agreement constitute unsecured and unsubordinated obligations of such Parent Company and will rank *pari passu* effectively, from a financial point of view, with all other unsecured and unsubordinated obligations of the Parent Companies, except to the extent that such other obligations are preferred by applicable law. The Parent Companies' obligations under the Support Agreement with respect to coupons payable on a Supported Coupon Date will be satisfied by making capital contributions to Fortis Hybrid Financing or otherwise making funds available to Fortis Hybrid Financing and, as a result, any claims of holders of Securities will be subordinated to claims of creditors of Fortis Hybrid Financing. The Support Agreement does not limit the ability of the Parent Companies to incur indebtedness. See "Description of the Support Agreement — General".

The Parent Companies will not be obligated to make any contribution or payment in respect of Supported Coupons under the Support Agreement (i) if the coupon is payable due to the occurrence of a Trigger Event to be satisfied using the Alternative Coupon Payment Method or (ii) if and to the extent that following such contribution or payment, the assets of a Parent Company would be less than the sum of its liabilities on a consolidated basis, excluding liabilities not considered Senior Debt. See "Description of the Support Agreement".

In the event that the Parent Companies are in the situation mentioned in (ii) above, the Parent Companies will not be able to contribute or otherwise make available to Fortis Hybrid Financing such additional funds as may be necessary to ensure that Fortis Hybrid Financing will be able to pay all coupons due on a Supported Coupon Date. The Support Agreement requires that any claim or proceeding brought by a holder of Securities to enforce the obligations of the Parent Companies to Fortis Hybrid Financing thereunder be brought exclusively in a court of competent jurisdiction in Belgium. See "Description of the Support Agreement".

The Parent Companies will also give an unconditional and irrevocable Subordinated Guarantee for the due payment of the Base Redemption Price when the Securities become payable in the event of liquidation or bankruptcy of Fortis Hybrid Financing. The holders' claims are subordinated, however, and in the event of a general *concursus creditorum* affecting either Parent Company, the claims of holders of the Securities under the Subordinated Guarantee will be satisfied only after the claims of all creditors of the Parent Companies, whether senior or subordinated, other than those which rank *pari passu* with or junior to the Subordinated Guarantee, have first been paid in full. Holders of Securities may not set off any claims arising under the Subordinated Guarantee against claims the Parent Companies may have against them. In the case of a liquidation or bankruptcy of Fortis Hybrid Financing and the concurrent existence of a Trigger Event, the Trustee may institute bankruptcy proceedings against the Parent Companies only in Belgium or The Netherlands, and no other legal remedy may be pursued, including a judicial proceeding for the collection of the sums due and unpaid.

The ability of the Parent Companies to make payments under the Support Agreement and the Subordinated Guarantee depends primarily on the earnings of their subsidiaries and their ability to distribute such earnings to the Parent Companies; 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, including those obligations that may arise under the Support Agreement and the Subordinated Guarantee, are primarily dependent upon the earnings of Fortis 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 Fortis subsidiaries are and may continue to be subject to certain statutory and regulatory restrictions. The Dutch and Belgian banking and insurance regulators, as well as European Union regulatory authorities, the BFIC in Belgium 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 Hybrid Financing 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 Parent Companies are themselves recognized as creditors of such subsidiary, in which case the claims of the Parent Companies would still be subordinated to any security interests in the assets of such subsidiary and any indebtedness of such subsidiary senior to that held by the Parent Companies.

Risks Relating to Fortis Hybrid Financing and the Parent Companies

Fortis Hybrid Financing and the Parent Companies may issue additional debt.

Neither the Parent Companies nor Fortis Hybrid Financing is prohibited or restricted from issuing additional debt ranking *pari passu* with the Securities in the case of Fortis Hybrid Financing, or senior to the Securities and the Subordinated Guarantee in the case of the Parent Companies. None of the Securities, the Indenture, the Support Agreement or the Subordinated Guarantee Agreement limits the ability of Fortis Hybrid Financing or the Parent Companies or any other members of the Fortis Group to incur indebtedness, including indebtedness that ranks *pari passu* with the obligations of the Parent Companies under the Support Agreement or senior to the obligations of the Parent Companies under the Subordinated Guarantee. The issuance of any such further debt may dilute the claim of holders of Securities and of Fortis Hybrid Financing under the Support Agreement and the Subordinated Guarantee, and under certain circumstances holders of Securities may be unable to recover any amounts under the Support Agreement or the Subordinated Guarantee.

Regulatory authorities have oversight powers over the Fortis Group.

The BFIC or its successors, regulatory authorities in the European Union and regulatory authorities in other countries have oversight powers over Fortis and in varying degrees over the operating entities of Fortis to which the proceeds of the Securities will be lent. Under certain circumstances, any of such regulatory authorities could make determinations or take decisions in the future with respect to any of such entities or a portion of their respective operations or assets that could adversely affect the ability of Fortis Hybrid Financing 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 and to make any redemption or liquidation payments to their security holders.

TERMS AND CONDITIONS OF THE PUBLIC OFFER

The Securities may be offered by certain banks, financial intermediaries and other authorized entities to the public in Austria, Belgium, France, Germany, Ireland, Italy, Luxembourg, Portugal, Spain, The Netherlands, Switzerland, the United Kingdom and the Principality of Liechtenstein in accordance with the following terms and conditions:

Total amount of the issue/offer; if the amount is not fixed, description of the arrangements and time for announcing to the public the definitive amount of the offer:	The total principal amount of the Securities to be issued shall be determined on or about May 23, 2008 (the "**Pricing Date**") following the end of the public offer period as described below and notified to the CSSF and published on the website of the Luxembourg Stock Exchange and in the Euronext Daily Official List ("*Officiële Prijscourant*") of Euronext.
The time period, including any possible amendments, during which the offer will be open and description of the application process:	**Start of the offer period:** In respect of the above mentioned jurisdictions, not earlier than the date on which all requirements necessary to enable any such offer in any such jurisdiction to be made in accordance with all applicable laws, rules and regulations in such jurisdiction which, at the date hereof, is expected to be on or about May 15, 2008, at 9:00 a.m. (CET). **End of the offer period**: No later than 5.00 p.m. CET on or about May 23, 2008. The timetable for the offering may be accelerated or extended. Any such acceleration or extension of the timetable for the offering will be announced as soon as practicable before the proposed expiration of the accelerated offer period, or, in the event of an extended timetable for the offering, as soon as practicable before the expiration of the original offer period (i) on the website of the Luxembourg Stock Exchange (www.bourse.lu), and (ii) in a press release and an advertisement in the Euronext Daily Official List (*Officiële Prijscourant*) and in at least one daily newspaper with nationwide distribution in the Netherlands. Any extension of the timetable for the offering will be for a minimum of one full business day. Investors will be notified by the relevant Manager or any placers of their allocations of Securities and the settlement arrangements in respect thereof as soon as practicable after the end of the offer period.
Conditions to which the offer is subject:	The issue of the Securities is subject to certain conditions precedent customary for transactions of this type (including issue of the Securities, delivery of legal opinions and comfort letters) as set out in the Underwriting Agreement. Both Fortis Hybrid Financing and the Managers are entitled in certain circumstances to be released and discharged from their obligations under the Underwriting Agreement prior to the issue of the Securities.

A description of the possibility to reduce subscriptions and the manner for refunding excess amount paid by applicants:	Not applicable.
Details of the minimum and/or maximum amount of application, (whether in number of Securities or aggregate amount to invest):	Not applicable.
Method and time limits for paying up the Securities and for delivery of the Securities:	The Securities will be issued on the Issue Date against payment to Fortis Hybrid Financing of the net subscription moneys. Fortis Hybrid Financing, in consultation with the Managers, retains full discretion as to the total amount of the issue and how to allocate the Securities applied for. Investors will be notified by the relevant Manager or any placers of their allocations of Securities and the settlement arrangements in respect thereof.
A full description of the manner and date in which results of the offer are to be made public:	Not applicable.
The procedure for the exercise of any right of pre-emption, the negotiability of subscription rights and the treatment of subscription rights not exercised:	Not applicable.
The various categories of potential investors to which the Securities are offered:	Upon approval of this Prospectus for use in connection with public offers, such offers may be made in Austria, Belgium, France, Germany, Ireland, Italy, Luxembourg, Portugal, Spain, The Netherlands, Switzerland, the United Kingdom and the Principality of Liechtenstein to any person. Until such time in such countries, and at all times in other EEA countries, offers will only be made by the Managers pursuant to an exemption under the Prospectus Directive as implemented in the relevant countries.
Process for notification to applicants of the amount allotted and indication whether dealing may begin before notification is made:	Investors will be notified by the relevant Manager or placer of their allocations of Securities.
An indication of the expected price at which the Securities will be offered or the method of determining the price and the process for its disclosure. Indicate the amount of any expenses and taxes specifically charged to the subscriber or purchaser:	The Securities will be issued at an issue price of 100 percent of their nominal amount. Any investor intending to acquire any Securities from a bank, financial intermediary or other entity (other than a Manager in its capacity as such) will do so in accordance with any terms and other arrangements in place between the seller or placer and such investor, including as to price, allocations and settlement arrangements. Fortis Hybrid Financing will not be a party to such arrangements with investors, and accordingly investors must obtain such information from the relevant seller or placer.

Name and address of the co-ordinator(s) of the global offer and of single parts of the offer and, to the extent known to Fortis Hybrid Financing or to the offeror, of the placers in the various countries where the offer takes place:	The offer will be made by licensed banks, financial intermediaries and other entities duly authorized in the relevant jurisdictions.
Name and address of any paying agents and depository agents in each country:	The name and address of the paying agents with respect to the Securities are set out at the end of this Prospectus and the names and addresses of the depositary agents are set out elsewhere in this Prospectus.
Name and address of the entities agreeing to underwrite the issue on a firm commitment basis, and name and address of the entities agreeing to place the issue without a firm commitment or under "best efforts" arrangements	The Managers, pursuant to an Underwriting Agreement, agreed to procure subscribers, failing which, to subscribe and pay for the Securities at a price equal to 100 percent of their nominal amount. The Underwriting Agreement provides that Fortis Hybrid Financing will pay the Managers a combined management, selling and underwriting commission of 1.70 percent of the nominal amount of the Securities. See "Subscription and Sale" below.
Indication of the material features of the agreements, including the quotas. Where not all of the issue is underwritten, a statement of the portion not covered. Indication of the overall amount of the underwriting commission and of the placing commission:	The addresses of the Managers are set out at the end of this Prospectus.
When the underwriting agreement has been or will be reached:	The Underwriting Agreement, as supplemental by a Pricing Agreement, will be dated on or about May 23, 2008. See "Subscription and Sale".

For the avoidance of doubt, this Prospectus may not be used in any country for the purposes of any public offer of the Securities other than as described above and, in such cases, only until the end of the offer period as described above, unless otherwise authorised by Fortis Hybrid Financing.

DESCRIPTION OF THE SECURITIES

General

Fortis Hybrid Financing will issue the Euro Denominated Perpetual Securities (the "Securities") under an Indenture to be dated on or about May 30, 2008 between Fortis Hybrid Financing and The Bank of New York, as Trustee. The Issue Date will be notified to the CSSF and published on the website of the Luxembourg Stock Exchange and in the Euronext Daily Official List ("*Officiële Prijscourant*") of Euronext. The terms of the Securities include those stated in the Indenture. In accordance with the terms of the Indenture, Fortis Hybrid Financing may from time to time, without the consent of the holders of the Securities, create and issue additional securities with the same terms and conditions as the Securities in all respects (or in all respects save for the first payment of interest thereon) so that such further issue shall be consolidated and form a single series with the Securities offered pursuant to this Prospectus. The obligations of Fortis Hybrid Financing pursuant to the Securities will benefit from a Support Agreement entered into by the Parent Companies and a Subordinated Guarantee Agreement. See "Description of the Support Agreement" and "Description of the Subordinated Guarantee Agreement".

The following is a summary of the material provisions of the Indenture. Because this is a summary, it may not contain all the information that is important to you. You should read each of the Indenture, the Support Agreement and the Subordinated Guarantee Agreement in its entirety. Copies of these documents are available as described under "General Listing Information — Availability of Documents and Incorporation by Reference". Defined terms not otherwise defined in this description have the meaning given to those terms in the Indenture.

The Securities

- are unsecured subordinated obligations of Fortis Hybrid Financing, subordinated in right of payment to all existing and future Senior and Subordinated Indebtedness of Fortis Hybrid Financing in accordance with the subordination provisions of the Indenture;
- are issued in an aggregate principal amount of Euro; and
- have no fixed maturity date.

In accordance with its articles of incorporation, Fortis Hybrid Financing may only issue securities which are *pari passu* with each other.

Coupons

Coupons on the Securities will be payable annually in arrear on or about May 30 of each year, beginning on or about May 30, 2009 at a fixed rate per annum on their Current Principal Amount (which, solely for the purpose of calculating coupons, will be deemed to include the aggregate amount of any unpaid Elective Alternative Coupons), which coupon shall be determined on the Pricing Date following the end of the public offer period as described herein and notified to the CSSF and published on the website of the Luxembourg Stock Exchange and in the Euronext Daily Official List ("*Officiële Prijscourant*") of Euronext. The Coupon rate is expected to be between 8.00% and 8.25% per annum. Such date is a "**Regular Coupon Date**". If any Regular Coupon Date is not a business day, coupons will be payable on, and accrue to, the next business day unless such business day would fall in the next calendar month, in which case coupons will be payable on, and accrue to, the preceding business day.

Each period from and including a Regular Coupon Date or the Issue Date, as applicable, to but not including the next Regular Coupon Date is a "**Coupon Period**".

If and to the extent that a Trigger Event has occurred and is continuing or would occur, including after giving effect to any coupon on the Securities otherwise payable on such Regular Coupon Date or otherwise, the coupons on the Securities will be payable on the Alternative Coupon Satisfaction Date and Fortis Hybrid Financing will give an Alternative Coupon Notice. If Fortis Hybrid Financing has 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.

If no Trigger Event has occurred or is continuing, Fortis Hybrid Financing may give an Alternative Coupon Notice with respect to the next succeeding Regular Coupon Date, 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; provided that (x) if such Regular Coupon Date is not a Supported Coupon Date and (y) no Trigger Event has occurred or is continuing on such date, Fortis Hybrid Financing shall be obligated to use the Alternative Coupon Payment Method to pay the coupon due on such Regular Coupon Date (the "**Mandated Election**"). See "— Alternative Coupon Payment Method — Notice".

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**".

For purposes of the foregoing, "**Trigger Event**" means (i) the sum of Fortis Group assets are less than the sum of its liabilities on a consolidated basis, excluding liabilities not considered Senior Debt; (ii) there has occurred a breach of the solvency requirements set forth in the Belgian Royal Decree dated November 21, 2005 relating to the consolidated supervision of financial conglomerates, as determined in accordance with a calculation method approved by the BFIC, to the extent such breach is caused by a consolidated loss of the Parent Companies as reflected in their last quarterly financial statements, unless the BFIC exempts Fortis Group from treating such breach as a Trigger Event (each of (i) and (ii), a "**Capital Deficiency Event**"); or (iii) there has occurred a breach of the solvency requirements set forth in the Belgian Royal Decree dated November 21, 2005 relating to the consolidated supervision of financial conglomerates, as determined in accordance with a calculation method approved by the BFIC, unless the BFIC exempts Fortis Group from treating such breach as a Trigger Event.

For purposes of the definition of "**Trigger Event**", "**Senior Debt**" means all liabilities of the Parent Companies (including those in respect of bonds, notes and debentures), whether senior or subordinated, other than liabilities of the Parent Companies which rank *pari passu* with or junior to the Subordinated Guarantee or the Securities.

Loss Absorption

In the event of the occurrence of a Capital Deficiency Event, the boards of directors of the Parent Companies will convene an extraordinary shareholders' meeting to be held during the three months following the occurrence of such Capital Deficiency Event in order to propose a share capital increase or any other measure regarded as necessary or useful to remedy such event. If a share capital increase or any such other proposed measure is not adopted by the extraordinary shareholders' meetings of the Parent Companies or if the share capital increase is not sufficiently subscribed to remedy such Capital Deficiency Event in full, or if such Capital Deficiency Event remains in effect for six months following the occurrence of such event, the boards of directors of the Parent Companies will implement and cause Fortis Hybrid Financing to implement, within ten days following the date that is six months following the occurrence of such event, a proportionate reduction of the amount of the Current Principal Amount of each Security (a "**Loss Absorption**") necessary in order to remedy the Capital Deficiency Event to the fullest extent possible. Notwithstanding anything to the contrary, the nominal value of any Security shall never be reduced to an amount lower than one Euro cent (€0.01).

The amount by which the aggregate Current Principal Amount of the Securities is reduced to enable the Parent Companies to absorb losses in order to ensure the continuity of their activities, will be the lower of (i) the amount by which the applicable regulatory solvency requirements exceed the solvency capital of the Parent Companies at the time of the Capital Deficiency Event and (ii) the aggregate amount of the Current Principal Amount of the Securities before such reduction.

Outstanding Alternative Coupons will not be written down but may only be paid using the Alternative Coupon Payment Method. In the event of Loss Absorption, coupons will continue to accrue on the Current Principal Amount of the Securities but may only be paid using the Alternative Coupon Payment Method for as long as a Trigger Event exists.

For the avoidance of doubt, the first remedy to the Capital Deficiency Event will be the share capital increase or the implementation of any other measures adopted by the extraordinary shareholders' meetings of the Parent Companies to remedy such Capital Deficiency Event. To the extent such increase of share capital or other measures are not sufficient, the Loss Absorption will be applied against the Current Principal Amount of the Securities as herein described.

In the event that other Parity Securities, which would be subject to such principal reductions, are outstanding, such reduction will be applied on a pro-rata basis among the Securities and such other Parity Securities.

"**Current Principal Amount**" of any Security means the principal amount of each Security outstanding at any time calculated on the basis of the Original Principal Amount of each Security as such amount may be proportionately reduced pursuant to the application of the Loss Absorption mechanism and/or reinstated on one or more occasions.

"**Original Principal Amount**" of any Security means the initial denomination of €1,000 principal amount per Security.

Reinstatement

If, following a Loss Absorption, the Parent Companies have recorded positive Consolidated Profit for at least two consecutive fiscal years (a "**Return to Profitability**") following the end of the most recent fiscal year in which there was a Loss Absorption, the Parent Companies may cause Fortis Hybrid Financing to increase, and in such case Fortis Hybrid Financing shall increase, the Current Principal Amount of each Security (a "**Reinstatement**") on any date and in an amount that they determine (either up to the Original Principal Amount or up to any other amount lower than the Original Principal Amount, but in each case proportionate to the denomination held by each holder), subject to any necessary regulatory approval.

Irrespective of whether a Return to Profitability has occurred, the Parent Companies shall cause Fortis Hybrid Financing to increase, and Fortis Hybrid Financing shall increase, the aggregate Current Principal Amount of the Securities in an amount equal to the Mandatory Reinstatement Amount on the date of a Mandatory Reinstatement Event.

For the avoidance of doubt, following a Reinstatement, the aggregate Current Principal Amount of the Securities may never be greater than the aggregate Original Principal Amount of the Securities.

In the event that other Parity Securities are outstanding and may also benefit from a reinstatement or an increase of their current principal amount in accordance with their terms, any Reinstatement will be applied on a pro-rata basis with other reinstatements or increases of the principal amount made in such other Parity Securities.

"**Consolidated Profit**" means the consolidated profit (excluding distributions to minority interests) of Fortis Group, as calculated and set out in the audited annual Consolidated Financial Statements of Fortis Group.

"**Mandatory Reinstatement Amount**" means the lesser of (i) the difference between the aggregate Original Principal Amount of the Securities and the aggregate Current Principal Amount of the Securities, and (ii) the positive Consolidated Profit of Fortis Group as set out in its latest audited annual Consolidated Financial Statements. Additionally, for the purpose of a Reinstatement pursuant to clause (ii) of the definition of "**Mandatory Reinstatement Event**", the Mandatory Reinstatement Amount will be computed so that the Securities will be reinstated by an increase in aggregate principal amount which is proportionate to the largest increase in principal amount of such Parity Securities.

"**Mandatory Reinstatement Event**" means (i) a Restricted Payment or (ii) the increase by the Parent Companies or Fortis Hybrid Financing of the principal amount of any Parity Securities other than the Securities, the terms of which contain a provision for the reinstatement of their principal amount similar to that of the Securities.

Dividend Stopper and Supported Coupons

Dividend Stopper

Fortis Hybrid Financing will agree in the Indenture, and the Parent Companies will each agree in the Support Agreement, that, in the case of any Exceptional Alternative Coupon, beginning on the day Fortis Hybrid Financing gives an Alternative Coupon Notice, and in the case of any Elective Alternative Coupon, beginning on the relevant Regular Coupon Date relating to such 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 Fortis Hybrid Financing and 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 cause that no vote is made by any of its subsidiaries, in favor of any of the actions of Fortis Hybrid Financing described in clauses (A)(i) and (ii) above; *provided* that the foregoing restriction 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.

"**SPV Parity Securities**" means any preferred or preference shares or profit-sharing certificates (*parts bénéficiaires*) of Fortis Hybrid Financing and any securities which rank or are expressly stated to rank *pari passu* with the Securities (collectively, "**SPV Parity Shares**") or any securities which are expressly stated to rank junior to the Securities ("**SPV Junior Securities**"). For the avoidance of doubt, the Perpetual Securities issued by Fortis Hybrid Financing on February 27, 2008 and June 20, 2006 are SPV Parity Shares. Fortis Hybrid Financing will covenant in the Indenture not to issue any guarantees of any debt securities of any Person.

"**Parent Company Parity Securities**" means (i) any preferred or preference shares and any securities of either Parent Company which rank or are expressly stated to rank *pari passu* with the Securities, SPV Parity Shares or the Subordinated Guarantee ("**Parent Company Parity Shares**") or any securities of either Parent Company which rank or are expressly stated to rank junior to the Securities, SPV Parity Shares or the Subordinated Guarantee ("**Parent Company Junior Securities**"), (ii) guarantees by either or both Parent Companies (whether through an agreement or instrument labeled as a guarantee, as a support agreement, or with some other name but with an effect similar to a guarantee or support agreement) of any preferred securities or preferred or preference shares issued by any of either Parent Company's subsidiaries (including Fortis Hybrid Financing), which guarantees rank or are expressly stated to rank *pari passu* with the Securities or SPV Parity Shares or rank *pari passu* with Parent Company Parity Shares ("**Parent Company Parity Guarantees**") or which guarantees rank or are expressly stated to rank junior to the Securities or SPV Parity Shares or rank junior to Parent Company Parity Shares ("**Parent Company Junior Guarantees**") and (iii) securities issued by any subsidiary of either Parent Company (including Fortis Hybrid Financing) that are guaranteed under any Parent Company Parity Guarantee or Parent Company Junior Guarantee. For the avoidance of doubt, the (i) undated Floating Rate Equity-linked Subordinated Hybrid (FRESH) Capital Securities issued by Fortfinlux S.A. on May 7, 2002, (ii) Mandatory Convertible Securities (MCS) issued by Fortis Bank Nederland (Holding) N.V. , Fortis Bank nv-sa, Fortis SA/NV and Fortis N.V. on December 7, 2007 and (iii) Convertible And Subordinated

Hybrid Equity-linked Securities (CASHES) issued by Fortis Bank nv-sa on December 19, 2007 are Parent Company Parity Securities.

SPV Parity Securities and Parent Company Parity Securities are collectively referred to as "**Parity Securities**", Parent Company Parity Shares and SPV Parity Shares are collectively referred to as "**Parity Shares**" and Parent Company Junior Securities and SPV Junior Securities are collectively referred to as "**Junior Securities**".

"**SPV Ordinary Shares**" means ordinary shares of Fortis Hybrid Financing. "**Parent Company Ordinary Shares**" means ordinary shares of either 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. Parent Company Ordinary Shares and SPV Ordinary Shares are referred to collectively as "**Ordinary Shares**".

Supported Coupons

If during the Relevant Period, Fortis Hybrid Financing or either Parent Company (A) declares any dividend or makes any distribution or other payment on any Ordinary Shares or Parity Securities or (B) redeems, repurchases or otherwise acquires any Ordinary Shares or Parity Securities (other than pursuant to a Permitted Share Acquisition) (the foregoing events (A) and (B) each referred to as a "**Restricted Payment**"), then, as necessary, the Parent Companies will, subject to the terms of the Support Agreement, jointly and severally contribute or cause to be contributed to the capital of Fortis Hybrid Financing or otherwise make available such funds as may be necessary to permit Fortis Hybrid Financing to pay in full the coupon payable on each Regular Coupon Date occurring during the Relevant Period (a "**Supported Coupon**"), each such date a "**Supported Coupon Date**"; *provided* that if a Trigger Event shall have occurred prior to such Regular Coupon Date and is continuing on such Regular Coupon Date, the Supported Coupon Date shall be such date as provided for in clause (i) of the definition of Alternative Coupon Satisfaction Date. Fortis Hybrid Financing will be permitted, but shall not be required, to satisfy its obligation to pay the coupon payable on a Supported Coupon Date in accordance with the Alternative Coupon Payment Method; *provided, however*, that if a Trigger Event has occurred and is continuing on such Supported Coupon Date, Fortis Hybrid Financing will be required to satisfy its obligation to pay such coupon payable on a Supported Coupon Date in accordance with the Alternative Coupon Payment Method.

For purposes of the foregoing, "**Relevant Period**" means one year *provided* that such Relevant Period shall commence on and include the day of the relevant dividend, distribution, payment or redemption, repurchase or other acquisition but shall not include the corresponding day of the twelfth month thereafter.

Exempt Share Classes

The currently authorized number of 1,820 million cumulative preference shares in the capital of Fortis N.V. or any successor thereto of €0.42 each (an "**Exempt Share Class**") shall be exempt from the dividend stopper and Supported Coupon provisions to the extent described above.

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 and Supported Coupon provisions described above. "**Replacement Preference Shares**" means any preference shares to be created or issued by either Parent Company in connection with the merger, consolidation, amalgamation or other combination of an entity with and into such Parent Company in which 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.

Alternative Coupon Payment Method

General

Fortis Hybrid Financing will be required to satisfy its 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 Payment Method**").

Notice

In respect of any coupon which Fortis Hybrid Financing will pay using the Alternative Coupon Payment Method, Fortis Hybrid Financing shall give notice (an "**Alternative Coupon Notice**") to the Trustee, any paying agent, any Calculation Agent and the holders that Fortis Hybrid Financing will satisfy the Elective Alternative Coupon or Exceptional Alternative Coupon (collectively, an "**Alternative Coupon**") payable on the applicable Regular Coupon Date using the Alternative Coupon Payment Method. Alternative Coupon Notices 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 notice shall also set forth, subject to a Postponement Event, the Alternative Coupon Satisfaction Date. In respect of an Elective Alternative Coupon, except in the case of a Mandated Election, Fortis Hybrid Financing may give an Alternative Coupon Notice in its sole discretion and for any reason. Each Alternative Coupon Notice shall be given by mail and facsimile to the Trustee and any Calculation Agent and, if required, shall be published in an Authorized Newspaper.

Alternative Coupons are mandatorily payable with the Alternative Coupon Payment Method and shall be payable on the Alternative Coupon Satisfaction Date.

"**Alternative Coupon Satisfaction Date**" shall be a date, subject to a Postponement Event, which is (i) in the case of an Exceptional Alternative Coupon or a Supported 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 Fortis Hybrid Financing shall use its best efforts to satisfy an Exceptional Alternative Coupon within 30 calendar days following the first Regular Coupon Date after such Trigger Event first occurred, or (ii) in the case of an Elective Alternative Coupon or a Supported Coupon with respect to which Fortis Hybrid Financing elects to use the Alternative Coupon Payment Method, the relevant Regular Coupon Date.

Notwithstanding the provision (i) above, if any Postponement Event has occurred, the Alternative Coupon Satisfaction Date shall be the date notified to the Trustee, the paying agents, the Calculation Agent and the holders of the Securities, which shall be a date no later than 20 business days following the date on which, in the opinion of Fortis Hybrid Financing and the Parent Companies, a Postponement Event is no longer continuing.

Issuance, Exchange and Sale Procedure

Fortis Hybrid Financing's obligation to pay Alternative Coupons on the Alternative Coupon Satisfaction Date relating to such coupon, in accordance with the Alternative Coupon Payment Method, will be satisfied as follows:

(i) Fortis Hybrid Financing will give an Alternative Coupon Notice to the Trustee, any paying agent, the Calculation Agent and holders of the Securities of the forthcoming Alternative Coupon Satisfaction Date, including if the Alternative Coupon Payment Method will be used to satisfy a coupon payable on a Regular Coupon Date or Supported Coupon Date, as the case may be;

(ii) on or before the 7th business day preceding such Alternative Coupon Satisfaction Date, the Trustee (or its custodian), acting on behalf of the holders of the Securities, will contribute the Alternative Coupons to the capital of Fortis SA/NV and/or Fortis N.V. (as instructed by the

Parent Companies and, in each case, subject to compliance with applicable Belgian and Dutch law), against which the Parent Companies will issue Fortis Shares having, in the judgment of the Calculation Agent, 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 Fortis Hybrid Financing or the Parent Companies in connection with using the Alternative Coupon Payment Method (including, without limitation, claims for the costs, fees and expenses of the Calculation Agent and the Trustee and their agents); *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 Fortis Hybrid Financing or either Parent Company, to the extent that such expenses are otherwise paid or provided for by Fortis Hybrid Financing or either Parent Company, as the case may be, on or before the 8th 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, 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 instructed by the Calculation Agent, and the Trustee (or any paying agent) will collect any sales proceeds; and

(iv) on such Alternative Coupon Satisfaction Date, the Trustee (or any paying agent) will apply such sales proceeds first, towards the payment of any expenses to be borne by Fortis Hybrid Financing or the Parent Companies in connection with the use of the Alternative Coupon Payment 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.

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 Fortis Hybrid Financing's obligation to pay such Exceptional Alternative Coupons, without regard to whether the net sales proceeds ultimately delivered to the holders of the Securities 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 shall occur and be continuing.

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

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 Fortis Hybrid Financing shall make such additional payments as shall be necessary to ensure the coupon is paid in full and, in the case of any coupon payable on a Supported Coupon Date, if Fortis Hybrid Financing is unable to make such payments the Parent Companies shall make such additional payments in accordance with the Support Agreement described below.

As used herein, the "fair market value" of one Fortis Share shall be calculated by the Calculation Agent and notified to the Trustee and the Parent Companies and shall be equal to the Volume Weighted Average Price on the first Stock Exchange Business Day preceding the eighth business day preceding the applicable Alternative Coupon Satisfaction Date. In the event that the Volume Weighted Average Price is not available on such date, "fair market value" shall be the first available Volume Weighted Average Price in the seven Stock Exchange Business Days immediately preceding such eighth business day preceding such Alternative Coupon Satisfaction Date. In the event that the Volume Weighted Average Price is not available during such period, then the fair market value shall be determined by the Parent Companies in conjunction with two investment banks (unaffiliated with the Parent Companies) of international repute selected by the Parent Companies.

"**Fortis Share**" means a unit comprising 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 issued by either Parent Company.

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

"**Relevant Exchange**" means Euronext Brussels SA/NV ("**Euronext Brussels**") and Euronext Amsterdam N.V. (Euronext Amsterdam) or the principal stock exchange or securities market on which the Fortis Shares are traded.

"**Volume Weighted Average Price**" means the average of the volume weighted average price of a Fortis Share as traded on the Relevant Exchange for each of the five preceding Stock Exchange Business Days to and including the date of calculation. 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.

Sufficiency of Ordinary Shares

Fortis Hybrid Financing will be able to pay Alternative Coupons in accordance with the Alternative Coupon Payment Method only to the extent that the Parent Companies have enough authorized and unissued Parent Company Ordinary Shares to permit the issuance of Fortis Shares to enable Fortis Hybrid Financing to pay Alternative Coupons on any Alternative Coupon Satisfaction Date in accordance with the Alternative Coupon Payment Method. The Parent Companies will jointly and severally undertake in the Support Agreement to use all reasonable efforts to ensure that each of the Parent Companies has sufficient authorized and unissued Parent Company Ordinary Shares for this purpose; provided that the Parent Companies shall not be required to acquire any issued and outstanding Fortis Shares. See "Description of the Support Agreement — Alternative Coupon Payment Method".

The Trustee and the holders of the Securities will agree that Fortis Hybrid Financing will be entitled to pay coupons on any Regular Coupon Date, whether or not such Regular Coupon Date is an Alternative Coupon Satisfaction Date or a Supported Coupon Date, in accordance with the Alternative Coupon Payment Method.

Postponement Event

Any Alternative Coupon shall be payable on an Alternative Coupon Satisfaction Date. However, if any Postponement Event shall occur, Fortis Hybrid Financing's obligation to make payment using the Alternative Coupon Payment Method shall be deferred until a Postponement Event is no longer continuing.

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 Parent Companies as described under "— Alternative Coupon Payment Method — Sufficiency of Ordinary Shares", the available Ordinary Shares of either Parent Company are not sufficient to raise any amount of the Alternative Coupons that would otherwise be payable 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 the issuance of sufficient Ordinary Shares,

- the Parent Companies are subject to a "blackout" 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 blackout period or such blackout period has otherwise terminated, or
- as a result of any covenant, undertaking, guarantee or other similar provision in any Senior and Subordinated Indebtedness and/or Parity Securities (other than Junior Securities and Junior Guarantees), either Fortis Hybrid Financing or the Parent Companies would not be permitted to pay any Alternative Coupon because Fortis Hybrid Financing or the Parent Companies has not satisfied its obligations under such Senior and Subordinated Indebtedness and/or Parity Securities (other than Junior Securities and Junior Guarantees), as the case may be.

For all purposes of these terms and conditions, if any Postponement Event has occurred, the Alternative Coupon Satisfaction Date shall be the date notified by Fortis Hybrid Financing or the Parent Companies to the Trustee, any paying agent, the Calculation Agent and the holders of the Securities, which shall be a date no later than 20 business days following the date on which, in the opinion of Fortis Hybrid Financing and the Parent Companies, 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 the primary stock exchange or exchanges on which Fortis Shares are then traded or the principal central securities depositary through which Fortis Shares are then cleared 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.

Fortis Hybrid Financing shall agree to use its reasonable best efforts to complete the steps described in clause (i) under "— Alternative Coupon Payment Method — Issuance, Exchange and Sale Procedure", 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 Indebtedness and/or Parity Securities (other than Junior Securities and Junior Guarantees).

Additional Amounts

All payments in respect of the Securities will be made free and clear of and without withholding or deduction for or on account of any present or future taxes, duties, or other governmental charges of whatever nature imposed or levied by or on behalf of Luxembourg or any political subdivision thereof or any authority or agency therein or thereof having the power to tax ("**Relevant Tax**"), unless the withholding or deduction is required by law. If at any time Fortis Hybrid Financing is required to withhold or deduct any Relevant Tax with respect to any payments on the Securities, Fortis Hybrid Financing will be required to pay such additional amounts ("**Additional Amounts**") as shall be required so that the net amount received by each holder of Securities after the withholding or deduction of any such Relevant Tax will not be less than the amount then due and payable to each holder of Securities in the absence of such withholding or deduction. However, Fortis Hybrid Financing will not be required to pay Additional Amounts:

(i) to the extent that the Relevant Tax is imposed or levied because the holder of Securities (or the beneficial owner of such Securities) has some connection with Luxembourg, other than being a holder (or beneficial owner) of Securities;

(ii) to the extent that the Relevant Tax is imposed or levied because that holder (or beneficial owner) has not made a declaration of non-residence in, or other lack of connection with, Luxembourg or any similar claim for exemption, to the relevant tax authority; provided that such declaration or claim is required by law, regulations or the relevant tax treaty and Fortis

Hybrid Financing or its agent has given the holder or beneficial owner at least 60 days' prior written notice of and opportunity to make the declaration or claim;

(iii) where such Relevant Tax is imposed on a payment to an individual and is required to be made pursuant to the European Council Directive 2003/48/EC or any other directive on the taxation of savings income or any law or treaty implementing or complying with, or introduced in order to conform to, such Directives;

(iv) where such Relevant Tax is imposed on a payment to a Luxembourg resident individual and is required to be made pursuant to the Luxembourg law of December 23, 2005; or

(v) in respect of any coupon or Security presented for payment by or on behalf of a holder who would have been able to avoid such Relevant Tax by having such coupon or Security paid by another paying agent in a member state of the European Union other than Luxembourg.

If Fortis Hybrid Financing is unable to make payments of such Additional Amounts, the Parent Companies shall make such payments of Additional Amounts available to Fortis Hybrid Financing in accordance with the Support Agreement described below.

Each reference herein to payments in respect of the Securities (including, without limitation, Alternative Coupons and Supported Coupons, if any) shall be deemed to include Additional Amounts, if any.

Optional Redemption

The Securities are not redeemable at the option of the holders thereof at any time and are not redeemable at the option of Fortis Hybrid Financing prior to May 30, 2013 or such other date that will be the fifth anniversary of the Issue Date (the "**First Call Date**"), except in certain circumstances upon the occurrence of a Tax Event or a Tier 1 Disqualification Event. See " — Redemption upon Certain Events".

The Securities may be redeemed at the option of Fortis Hybrid Financing, in whole or in part, on the First Call Date or on any subsequent Regular Coupon Date; provided that Fortis Hybrid Financing will give notice to holders of Securities and the Trustee not less than 30 business days but not more than 60 business days prior to any such redemption. This notice shall be given in accordance with the notice provisions described under "General Listing Information — Notices to Holders".

The redemption price for such redemptions will be (i) 100% of the Original Principal Amount of the Securities, plus (ii) an amount equal to unpaid coupons, if any, thereon with respect to the then-current Coupon Period accrued on a daily basis through the date fixed for redemption, plus (iii) an amount equal to unpaid Alternative Coupons, if any (the "**Base Redemption Price**").

Partial redemptions shall be performed by drawing for redemption in a manner approved by the Trustee or, for so long as the Securities are held in a clearing system, in accordance with the operating procedures of such clearing system. For the avoidance of doubt, such redemption of Current Principal Amount is distinct from a Loss Absorption.

Any optional redemption of Securities is subject to compliance with applicable regulatory requirements, including the prior approval of the BFIC. In any event, no redemption of Securities will be permitted if and to the extent that, (i) before or after giving effect to such redemption, a Trigger Event has occurred and is continuing or would occur, or (ii) a Loss Absorption has occurred and the Securities have not yet been reinstated in full, unless the BFIC approves a redemption in such circumstances at 100% of the Original Principal Amount of the Securities.

The Base Redemption Price shall be paid to the person(s) who are the registered holders of the Securities as evidenced by the register for the Securities on the date which is 15 calendar days preceding the date fixed for redemption.

Redemption upon Certain Events

Tax Event

Upon the occurrence of a Tax Event, subject to the conditions set forth below, Fortis Hybrid Financing will have the right at any time to redeem the Securities in whole (and not in part) at the Base Redemption Price.

For purposes of the foregoing, "**Tax Event**" means the receipt by Fortis Hybrid Financing of an opinion of a nationally recognized law firm or other tax adviser (which may be an accounting firm) in Luxembourg experienced in such matters to the effect that, as a result of (i) any amendment to, clarification of, or change (including any announced prospective change) in, the laws or treaties (or any regulations thereunder) of Luxembourg or any political subdivision or taxing authority thereof or therein affecting taxation, (ii) any Administrative Action or (iii) any amendment to, clarification of, or change in the official position on the interpretation of any Administrative Action or any interpretation or pronouncement that provides for a position with respect to any Administrative Action that differs from the theretofore generally accepted position, in each case, by any legislative body, court, governmental authority or regulatory body, irrespective of the manner in which such amendment, clarification, change, interpretation or pronouncement is made known, which amendment, clarification or change is effective or which interpretation or pronouncement is announced on or after the Issue Date of the Securities, there is more than an insubstantial risk that (A) Fortis Hybrid Financing is or will be required to pay any Additional Amounts or (B) any interest deduction or other similar direct or indirect tax benefit available to Fortis Hybrid Financing under Luxembourg law in respect of the Current Principal Amount of the Securities is eliminated, reduced or otherwise adversely affected in any material respect.

The Base Redemption Price shall be paid to the person(s) who are the registered holders of the Securities as evidenced by the register for the Securities on the date which is 15 calendar days preceding the date fixed for redemption.

Tier 1 Disqualification Event

Upon the occurrence of a Tier 1 Disqualification Event, and subject to the conditions set forth below, Fortis Hybrid Financing will have the right at any time to redeem the Securities in whole (and not in part) at the Base Redemption Price.

For purposes of the foregoing, "**Tier 1 Disqualification Event**" means the receipt by either of the Parent Companies of an opinion, declaration, rule or decree of the BFIC to the effect that there has been a change in (i) the law or regulation or (ii) the interpretation thereof, resulting in more than an insubstantial risk that the Securities (or any portion thereof) will not be eligible to be included in calculating the Tier 1 capital of Fortis Group.

Any redemption of Securities upon the occurrence of a Tax Event or a Tier 1 Disqualification Event is subject to compliance with applicable regulatory requirements, including the prior approval of the BFIC. In any event, no redemption of Securities will be permitted if and to the extent that, (i) before or after giving effect to such redemption, a Trigger Event has occurred and is continuing or would occur, or (ii) a Loss Absorption has occurred and the Securities have not yet been reinstated in full, unless the BFIC approves a redemption in such circumstances at 100% of the Original Principal Amount of the Securities.

The Base Redemption Price shall be paid to the person(s) who are the registered holders of the Securities as evidenced by the register for the Securities on the date which is 15 calendar days preceding the date fixed for redemption.

Subordination

Subordination of the Securities

The Securities, as obligations of Fortis Hybrid Financing, are contractually subordinated to Senior and Subordinated Indebtedness of Fortis Hybrid Financing. The payment obligations of Fortis Hybrid

Financing under the Securities constitute unsecured subordinated obligations of Fortis Hybrid Financing. The claims of the holders of the Securities for payment by Fortis Hybrid Financing under the Securities will rank:

(vi) behind (junior to) the claims of holders of Senior and Subordinated Indebtedness;

(vii) *pari passu* with claims of holders of Other *Pari passu* Claims; and

(viii) before (senior to) (x) the claims for payment of any obligation that, expressly or by applicable law, is subordinated to the Securities and (y) the claims of holders of SPV Ordinary Shares.

"**Senior and Subordinated Indebtedness**" means all liabilities of Fortis Hybrid Financing (including those in respect of bonds, notes and debentures (whether senior or subordinated)), other than liabilities of Fortis Hybrid Financing under the Securities or SPV Parity Securities.

"**Other *Pari passu* Claims**" means claims of creditors of Fortis Hybrid Financing which are subordinated so as to rank *pari passu* with claims in respect of the Securities.

The debt evidenced by the Securities is subordinated in right of payment, to the extent and in the manner provided in the Indenture, to the prior payment of all existing and future Senior and Subordinated Indebtedness. The subordination provisions are for the benefit of and enforceable by the holders of Senior and Subordinated Indebtedness of Fortis Hybrid Financing.

In accordance with Fortis Hybrid Financing's articles of incorporation it may only issue securities which are *pari passu* with each other.

General Effect of Contractual Subordination

By reason of the subordination provisions contained in the Indenture, in an event creating a general concursus creditorum on the entire assets of Fortis Hybrid Financing, creditors of Fortis Hybrid Financing that are holders of Senior and Subordinated Indebtedness of Fortis Hybrid Financing may recover more, ratably, than the holders in respect of the Securities.

"**general concursus creditorum**" means with respect to (i) Fortis Hybrid Financing, any concursus creditorum (concours de créanciers) on the entire assets of Fortis Hybrid Financing, including bankruptcy (*faillite*), moratorium (*concordat judiciaire*), suspension of payment (*sursis de paiement*), controlled management (*gestion contrôlée*) and judicial or voluntary liquidation (*liquidation judiciaire ou volontaire*), (ii) Fortis SA/NV, any concursus creditorum (concours de créanciers/samenloop van schuldeisers) on the entire assets of Fortis SA/NV, including bankruptcy (*faillite/faillissement*), moratorium (*concordat judiciaire/gerechtelijk akkoord*) and judicial or voluntary dissolution and liquidation (*dissolution et liquidation judiciaire ou volontaire/gerechtelijke of vrijwillige ontbinding en vereffening*), except in the latter case for corporate reorganizations involving a voluntary dissolution without liquidation (*dissolution volontaire sans liquidation/vrijwillige ontbinding zonder vereffening*) as referred to in Articles 671-676 of the Belgian Code of Companies and (iii) Fortis N.V., bankruptcy (*faillissement*), moratorium of payments (*surséance van betaling*) or dissolution (*ontbinding*).

Consolidation, Merger or Sale of Assets

The Indenture provides as follows regarding consolidation, merger or sale of all or substantially all of the assets of Fortis Hybrid Financing:

Consolidation, Merger or Sale of Assets by Fortis Hybrid Financing; No Lease of All or Substantially All Assets

Fortis Hybrid Financing will not

- consolidate with or merge with or into any Person, or

- sell, convey, transfer, or otherwise dispose of all or substantially all of its assets as an entirety or substantially an entirety, in one transaction or a series of related transactions, to any Person or
- permit any Person to merge with or into Fortis Hybrid Financing unless:

(1) either (x) Fortis Hybrid Financing is the continuing Person or (y) the resulting, surviving or transferee Person expressly assumes by supplemental indenture all of the obligations of Fortis Hybrid Financing under the Indenture and the Securities;

(2) immediately after giving effect to the transaction, no Remedies Event has occurred and is continuing; and

(3) Fortis Hybrid Financing delivers to the Trustee an Officer's Certificate and an opinion of counsel, in form and substance satisfactory to the Trustee, each stating that the consolidation, merger or transfer and the supplemental indenture (if any) comply with the Indenture;

provided that clauses (2) and (3) do not apply (i) to the consolidation or merger of Fortis Hybrid Financing with or into a wholly-owned subsidiary or the consolidation or merger of a wholly-owned subsidiary with or into Fortis Hybrid Financing or (ii) if, in the good faith determination of the board of directors of Fortis Hybrid Financing, whose determination is evidenced by a board resolution, the sole purpose of the transaction is to change the jurisdiction of incorporation of Fortis Hybrid Financing.

Upon the consummation of any transaction effected in accordance with these provisions, if Fortis Hybrid Financing is not the continuing Person, the resulting, surviving or transferee Person will succeed to, and be substituted for, and may exercise every right and power of, Fortis Hybrid Financing under the Indenture with the same effect as if such successor Person had been named as Fortis Hybrid Financing in the Indenture. Upon such substitution, Fortis Hybrid Financing will be released from its obligations under the Indenture and the Securities.

Limitation on Remedies

A "**Remedies Event**" occurs if

(1) Fortis Hybrid Financing fails to pay any Alternative Coupons due and payable on the Alternative Coupon Satisfaction Date with respect thereto and such failure continues for a period of 30 days; or

(2) Fortis Hybrid Financing fails to pay any Supported Coupons due and payable on the Supported Coupon Date with respect thereto and such failure continues for a period of 30 days.

Consequences of a Remedies Event

If a Remedies Event occurs and is continuing under the Indenture, the Trustee or the holders of at least 25% in aggregate Current Principal Amount then outstanding, by written notice to Fortis Hybrid Financing (and to the Trustee if the notice is given by the holders), may, and the Trustee at the request of such holders shall (provided it is indemnified and/or secured to its satisfaction), institute proceedings to obtain the payment of the amounts due or compliance with the defaulted covenant or agreement or to obtain the bankruptcy of Fortis Hybrid Financing (or any analogous proceeding which may be available from time to time under the laws of Luxembourg). Neither the Trustee nor the holders may declare the principal amount of the Securities due and payable. No remedy against Fortis Hybrid Financing, other than the institution of the proceedings referred to above or resulting in the liquidation of Fortis Hybrid Financing, shall be available to the holders of the Securities in respect of any Remedies Event except as otherwise provided in the Subordinated Guarantee.

In connection with the institution of proceedings by such holders, or the Trustee at the request of such holders, against Fortis Hybrid Financing, to obtain payments of any amounts due under the

Securities, such holders or the Trustee may require Fortis Hybrid Financing, and Fortis Hybrid Financing shall agree, to enforce any rights it may have under the intercompany loans it makes to any of the Fortis Group operating companies. See "Use of Proceeds".

The holders of a majority in aggregate Current Principal Amount may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee. However, the Trustee may refuse to follow any direction that conflicts with law or the Indenture, that may involve the Trustee in personal liability, or that the Trustee determines in good faith may be unduly prejudicial to the rights of holders of Securities not joining in the giving of such direction, and may take any other action it deems proper that is not inconsistent with any such direction received from holders of Securities.

A holder may not institute any proceeding, judicial or otherwise, with respect to the Indenture or the Securities, or for the appointment of a receiver or trustee, or for any other remedy under the Indenture or the Securities, unless:

(1) the holder has previously given to the Trustee written notice of a continuing Remedies Event;

(2) holders of at least 25% in aggregate Current Principal Amount have made a written request to the Trustee to institute proceedings in respect of the Remedies Event in its own name as Trustee under the Indenture;

(3) holders have offered to the Trustee indemnity and/or security reasonably satisfactory to the Trustee against any costs, liabilities or expenses to be incurred in compliance with such request;

(4) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and

(5) during such 60-day period, the holders of a majority in aggregate Current Principal Amount of the outstanding Securities have not given the Trustee a direction that is inconsistent with such written request;

it being understood and intended that no one or more holders shall have any right in any manner whatever by virtue of, or by availing of, any provision of the Indenture to affect, disturb or prejudice the rights of any other holders, or to obtain or to seek to obtain priority or preference over any other holders or to enforce any right under the Indenture, except in the manner herein provided and for the equal and ratable benefit of all the holders.

If any Remedies Event occurs and is continuing and is known to the Trustee, the Trustee will send notice of the Remedies Event to each holder within 90 days after it occurs, unless the Remedies Event has been cured.

Reinstatement upon Liquidation or Bankruptcy

In the event of a judicial or voluntary liquidation (*liquidation judiciaire ou volontaire/gerechtelijke of vrijwillige vereffening*) or bankruptcy (*faillite/faillissement*) of a Parent Company or Fortis Hybrid Financing, the Parent Companies or Fortis Hybrid Financing shall cause a Reinstatement, as necessary, in an amount up to the Original Principal Amount of the Securities, subject to any necessary regulatory approval.

The rights of holders of Securities in the event of such liquidation or bankruptcy will be calculated on the basis of (i) the Original Principal Amount of the Securities they hold, plus (ii) an amount equal to unpaid coupons, if any, thereon with respect to the current Coupon Period accrued on a daily basis through the date of the decision of the court or the shareholders' meeting relating to the liquidation or of the decision of the court relating to the bankruptcy, as the case may be, plus (iii) an amount equal to unpaid Alternative Coupons, if any; provided that the amount of any claim related to such Alternative Coupons (whether against Fortis Hybrid Financing or the Parent Companies) may not exceed an amount equal to

25% of the Original Principal Amount of the Securities. No payments will be made to the holders of Securities before all amounts due, but unpaid, to all other senior and subordinated creditors of the liquidated or bankrupt entity have been paid by the Parent Companies or Fortis Hybrid Financing, as the case may be, as ascertained by the liquidator or the trustee in bankruptcy.

No Liability of Directors, Officers, Employees, Incorporators and Shareholders

Subject to mandatory provisions of applicable law, no director, officer, employee, incorporator, member or shareholder of Fortis Hybrid Financing or either Parent Company, as such, will have any liability for any obligations of Fortis Hybrid Financing or such Parent Company under the Securities, the Support Agreement, the Subordinated Guarantee Agreement or the Indenture or for any claim based on, in respect of, or by reason of, such obligations. Each holder of Securities by accepting a Security waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Securities.

Amendments and Waivers

Amendments without Consent of Holders

Fortis Hybrid Financing and the Trustee may amend or supplement the Indenture or the Securities without notice to or the consent of any holder of Securities:

(1) to cure any ambiguity, to correct or supplement any provision of the Indenture which may be inconsistent with any other provision therein, or to make any other provisions with respect to matters or questions arising under the Indenture which shall not be inconsistent with the provisions of the Indenture;

(2) to comply with the provisions relating to consolidation, merger and sale of assets in the Indenture;

(3) to evidence and provide for the acceptance of appointment by a successor trustee; or

(4) to make any other change that shall not adversely affect the interests of the holders in any material respect.

Amendments with Consent of Holders

Except as otherwise provided in "— Amendments without Consent of Holders" or the following paragraph, Fortis Hybrid Financing and the Trustee may amend or supplement the Indenture and the Securities with the written consent of the holders of a majority of 75% in aggregate Current Principal Amount and the holders of a majority of 75% in aggregate Current Principal Amount may waive future compliance by Fortis Hybrid Financing with any provision of the Indenture or the Securities.

Notwithstanding the provisions of the preceding paragraph, without the consent of each holder of Securities affected, an amendment, supplement or waiver may not

(1) reduce the principal amount of any Security,

(2) change the time of payment of any coupon or reduce the rate of any coupon payment on any Security,

(3) reduce the amount payable upon the redemption of any Security or change the times at which any Security may be redeemed or, once notice of redemption has been given, the time at which it must thereupon be redeemed,

(4) change the obligation of Fortis Hybrid Financing (or its successor) to pay Additional Amounts and coupons (including Supported Coupons and Alternative Coupons), if any,

(5) make any Security payable in money other than that stated in the Security,

(6) impair the right of any holder of Securities to receive any principal payment or coupon payment (including Supported Coupons) on such holder's Securities, on or after the applicable Coupon Date thereof, or to institute suit for the enforcement of any such payment,

(7) make any change in the percentage of the aggregate principal amount of the Securities required for amendments or waivers, or

(8) modify or change any provision of the Indenture affecting the ranking of the Securities in a manner adverse to the holders of the Securities.

Neither Fortis Hybrid Financing nor any of its subsidiaries or affiliates may, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any holder of Securities for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Securities unless such consideration is offered to be paid or agreed to be paid to all holders of the Securities that consent, waive or agree to amend such term or provision within the time period set forth in the solicitation documents relating to the consent, waiver or amendment.

Meetings of Shareholders and Right to Information

The holders of the Securities shall be entitled to attend all general meetings of shareholders of Fortis Hybrid Financing, in accordance with Luxembourg law, and they shall be entitled to receive any documents that are to be remitted to them in accordance with applicable Luxembourg law. The holders of the Securities who attend any general meeting of shareholders shall be entitled only to a consultative vote.

Concerning the Trustee

The Bank of New York is the Trustee under the Indenture.

Except during the continuance of a Remedies Event, the Trustee need perform only those duties that are specifically set forth in the Indenture and no others, and no implied covenants or obligations will be read into the Indenture against the Trustee. In case a Remedies Event has occurred and is continuing, the Trustee shall exercise those rights and powers vested in it by the Indenture and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs. No provision of the Indenture, the Support Agreement or the Subordinated Guarantee Agreement will require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties thereunder, or in the exercise of its rights or powers, unless it receives indemnity and/or security satisfactory to it against any loss, liability or expense.

Reports to Trustee

Fortis Hybrid Financing will deliver to the Trustee as soon as possible and in any event within 30 days after Fortis Hybrid Financing becomes aware or should reasonably become aware of the occurrence of a Remedies Event or an event which, with notice or the lapse of time or both, would constitute a Remedies Event, an Officer's Certificate setting forth the details of such Remedies Event, and the action which Fortis Hybrid Financing proposes to take with respect thereto.

Form and Denomination

The Securities will be issued in registered form in denominations of €1,000 principal amount.

The Securities will be evidenced by a global certificate, in registered form, deposited on the Closing Date with, and registered in the name of, a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, *société anonyme*, Luxembourg ("**Clearstream**"). The address of Euroclear is 1 Boulevard de Roi Albert II, 1210 Brussels, Belgium. The address of Clearstream is 42 Avenue JF Kennedy, L-1835 Luxembourg.

The Securities traded on Euronext Amsterdam are eligible for settlement in the systems of Euroclear NIEC.

Interests in the global certificate will be exchangeable in whole but not in part for definitive Securities in registered form with no coupons attached only if (A) (i) the Securities become ineligible for clearance and settlement through Euroclear and Clearstream and (ii) Fortis Hybrid Financing is not able, after using reasonable efforts, to arrange for clearance and settlement of the Securities through a successor clearing system within 120 days of receiving notice of such event or (B) if as a result of any amendment to, or change in, the laws or regulations of Luxembourg (or any political sub-division thereof) or of any authority therein or thereof having power to tax or in the interpretation, by a revenue authority or a court or administration, of such laws or regulations which become effective on or after the Closing Date, Fortis Hybrid Financing or any paying agent is or will be required to make any deduction or withholding from any payment in respect of the Securities which would not be required were the Securities in definitive registered form.

Listing and Trading

Application has been made to list the Securities on the official list of the Luxembourg Stock Exchange and Euronext Amsterdam and to admit them to trading on the Regulated Market of the Luxembourg Stock Exchange on the regulated market of Euronext Amsterdam.

Coupon and Principal Payments

The Indenture will require that payments of coupons and principal in respect of the Securities evidenced by the global certificate shall be made by Fortis Hybrid Financing directly or through any paying agent by wire transfer of immediately available funds to the account specified by the holder of the global certificate. Payments shall be made by Fortis Hybrid Financing directly or through any paying agent to the person in whose name the Security is registered at the close of business on the Record Date, and, in respect of definitive Securities, shall be paid by check payable in Euros mailed to the address of the person as it appears on the Security register, or, at the option of such holder, by transfer to an account denominated in Euros.

Governing Law

The Indenture and the Securities will be governed by the laws of the State of New York, except that the subordination and meetings of Shareholders provisions of the Indenture and the Securities will be governed by the laws of Luxembourg; the provisions of articles 86 to 94-8 of the Luxembourg law of August 10, 1915 concerning commercial companies, as amended, are excluded. The Support Agreement will be governed by the laws of Belgium. The Subordinated Guarantee Agreement will be governed by the laws of the State of New York except that the subordination provisions of the Subordinated Guarantee Agreement will be governed by the laws of Belgium in the case of Fortis SA/NV and the laws of The Netherlands in the case of Fortis N.V.

Prescription

Under New York law, claims relating to payment of principal and interest on the Securities will be prescribed according to the later of the applicable statute of limitations or not less than five years.

DESCRIPTION OF THE SUPPORT AGREEMENT

General

The Parent Companies will jointly and severally agree to perform the obligations described below under a Support Agreement to be dated on or about May 30, 2008 among Fortis Hybrid Financing, the Parent Companies and the Trustee.

By virtue of their subscription to or acquisition of the Securities, holders of the Securities will be treated, in accordance with Article 1121 of the Belgian Civil Code, as third-party beneficiaries, entitled to the rights conferred upon them by the Support Agreement. Holders of the Securities will be able to exercise enforcement rights either directly or through the Trustee.

The obligations of each of the Parent Companies under the Support Agreement constitute unsecured and unsubordinated obligations of such Parent Company and the corresponding rights shall in the event of a general *concursus creditorum* affecting such Parent Company rank *pari passu* with all other unsecured and unsubordinated obligations of such Parent Company, except to the extent that such other obligations are preferred by applicable law.

Supported Coupons; Dividend Stopper

Supported Coupons

The Parent Companies will jointly and severally contribute or cause to be contributed to the capital of Fortis Hybrid Financing or otherwise make available such funds as may be necessary to permit Fortis Hybrid Financing to pay any coupon on the Securities that is payable on a Supported Coupon Date. No such contribution to the capital of Fortis Hybrid Financing or other payment will be payable (i) if the coupon payable on the Supported Coupon Date shall have become an Exceptional Alternative Coupon due to the occurrence of a Trigger Event to be satisfied using the Alternative Coupon Payment Method or (ii) if and to the extent that following the contribution or payment, the assets of a Parent Company would be less than the sum of its liabilities on a consolidated basis, excluding liabilities not considered Senior Debt; *provided* that, notwithstanding the occurrence of any Trigger Event with respect to both Parent Companies, such contributions to the capital of Fortis Hybrid Financing or other payments will be mandatorily payable on or before any Supported Coupon Date or any Alternative Coupon Satisfaction Date that is triggered by dividends, distributions, payments or redemptions, repurchases or other acquisitions in respect of Fortis Shares or Parent Company Parity Securities (in the circumstances described under "Description of the Securities — Dividend Stopper and Supported Coupons").

Dividend Stopper

Each Parent Company agrees that, in the case of any Exceptional Alternative Coupon, beginning on the day Fortis Hybrid Financing gives an Alternative Coupon Notice, and in the case of any Elective Alternative Coupon, beginning on the relevant Regular Coupon Date relating to such coupon if the Elective Alternative Coupon is not paid on such Regular Coupon Date, and in each case continuing until all Alternative Coupons which are payable are paid in full, such Parent Company (A) (i) will not declare or pay, and 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 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) it will not vote, or will cause that no vote is made by any of its subsidiaries, in favor of any of the actions of Fortis Hybrid Financing otherwise prohibited under the Indenture. No such restrictions shall apply (i) to a dividend or redemption in respect of any Exempt Share Class or (ii) to a dividend 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 or redemption in respect of any Exempt Share Class.

Alternative Coupon Payment Method

In order that Fortis Hybrid Financing is able to pay Alternative Coupons on any Alternative Coupon Satisfaction Date in accordance with the Alternative Coupon Payment Method, the Parent Companies will jointly and severally undertake to use all reasonable efforts to ensure that the Parent Companies have sufficient authorized and unissued Parent Company Ordinary Shares to permit the issuance of Fortis Shares for this purpose; *provided* that this undertaking shall not be construed to require the Parent Companies to acquire any issued and outstanding Fortis Shares. Without limiting the generality of the foregoing, at each annual shareholders' meeting the Parent Companies will propose that their respective shareholders approve resolutions authorizing the issuance of such number of Parent Company Ordinary Shares as the Parent Companies reasonably determine are sufficient to permit the issuance of Fortis Shares to pay the next two scheduled coupons on the Securities in accordance with the Alternative Coupon Payment Method, except to the extent that the Parent Companies reasonably determine that there are sufficient authorized and unissued Parent Company Ordinary Shares for such purpose already in existence.

Loss Absorption, Reinstatement

In the event of the occurrence of a Capital Deficiency Event, the Parent Companies will, jointly and severally, use all reasonable efforts to ensure that all the necessary actions described under "Description of the Securities — Loss Absorption" and "Description of the Securities — Reinstatement" will occur.

Additional Amounts

The Parent Companies will jointly and severally contribute or cause to be contributed to the capital of Fortis Hybrid Financing or otherwise make available such funds as may be necessary to permit Fortis Hybrid Financing to pay any Additional Amounts payable in the circumstances described under "Description of the Securities — Additional Amounts"; provided that this obligation shall not change its obligations with respect to Supported Coupons. No such contribution to the capital of Fortis Hybrid Financing or other payment will be payable (i) if and to the extent that, before or after giving effect to such contribution or payment, a Trigger Event has occurred and is continuing with respect to both Parent Companies and such Additional Amounts shall be paid on the applicable Alternative Coupon Satisfaction Date using the Alternative Coupon Payment Method or (ii) if and to the extent that following the contribution or payment, the assets of a Parent Company would be less than the sum of its liabilities on a consolidated basis, excluding liabilities not considered Senior Debt.

Amendments to the Support Agreement

Except as provided in the following paragraphs, the Support Agreement may be modified by the parties thereto only with the prior approval of holders of not less than 75% of the aggregate Current Principal Amount of Securities (excluding any Securities held by Fortis Hybrid Financing or any of its affiliates, other than Securities purchased or acquired by Fortis Hybrid Financing or its affiliates in connection with transactions effected by or for the account of customers of the Fortis Group or any of its affiliates in connection with the distribution or trading of, or market-making in connection with, the Securities).

The Support Agreement may be amended without the consent of the holders of the Securities to:

- amend, waive or otherwise modify any provision incorporated by reference from or defined with reference to the Indenture for purposes of the Support Agreement, provided such amendment, waiver or other modification is implemented in accordance with the provisions of the Indenture;
- cure any ambiguity;
- correct or supplement any provision in the Support Agreement that may be defective or inconsistent with any other provision of the Support Agreement;

- add to the covenants, restrictions or obligations of the Parent Companies; or
- subject to applicable Belgian law, modify, eliminate and add to any provision of the Support Agreement;

provided, in each case, that no such amendment shall have a material adverse effect on the rights, preferences or privileges of holders of the Securities or affect the ranking of the Support Agreement, as determined by Fortis Hybrid Financing and the Parent Companies.

Notwithstanding the foregoing, neither the provisions relating to Supported Coupons nor the percentage of the aggregate amount of outstanding Securities which shall be required for the holders to approve any modification to the Support Agreement may be amended without the prior approval of holders of 100% of the aggregate Current Principal Amount of Securities.

Governing Law

The Support Agreement will be governed by the laws of Belgium.

DESCRIPTION OF THE SUBORDINATED GUARANTEE AGREEMENT

General

The Parent Companies (the "**Guarantors**") will jointly and severally agree to perform the obligations described below under a Subordinated Guarantee Agreement to be dated on or about May 30, 2008 among Fortis Hybrid Financing, the Parent Companies and the Trustee.

General. The Parent Companies will give an unconditional and irrevocable Subordinated Guarantee for the due payment of the Base Redemption Price payable when the Securities become payable in accordance with their terms in the event of a judicial or voluntary liquidation (*liquidation judiciaire ou volontaire*) or bankruptcy (*faillite*) of Fortis Hybrid Financing. Holders of the Securities are intended to be third-party beneficiaries of the Subordinated Guarantee Agreement and will be able to exercise enforcement rights either directly or through the Trustee.

Subordination. In the event of a general *concursus creditorum* affecting either Parent Company, the claims of holders of the Securities under the Subordinated Guarantee will be satisfied after (but only after) the claims of all creditors of the Guarantors (including claims in respect of bonds, notes and debentures) whether senior or subordinated have first been paid in full, other than liabilities of the Parent Companies which rank *pari passu* with or junior to the Securities or the Subordinated Guarantee, including, for the avoidance of doubt, the guarantees with respect to the Perpetual Securities issued by Fortis Hybrid Financing on February 27, 2008 and June 20, 2006.

The holders of the Securities explicitly accept that, in the circumstances described above, payments in respect of the Securities will be made by the Parent Companies pursuant to the Subordinated Guarantee only in accordance with the subordination provisions described above.

No Right to Set-Off. No holder of Securities may set off any claims arising under the Subordinated Guarantee against claims that the Parent Companies may have against it. The Parent Companies may set off against any claims of any holder of Securities under the Subordinated Guarantee only if such amounts have been replaced by other at least equivalent capital of at least equivalent status or if the appropriate regulatory authority has given its consent to the set-off, and subject to there existing no Trigger Event.

Remedy for Non-payment. In any event resulting in a judicial or voluntary liquidation (*liquidation judiciaire ou volontaire*) or bankruptcy (*faillite*) of Fortis Hybrid Financing, whether due to a Remedies Event or otherwise, the Trustee or the holders of at least 25% in aggregate Current Principal Amount, by written notice to either or both of the Parent Companies (and to the Trustee if the notice is given by the holders), may, and the Trustee at the request of such holders (provided that the Trustee is indemnified and/or secured to its satisfaction) shall, institute proceedings to obtain the payment of the amounts due or compliance with the defaulted covenant or agreement or to obtain the bankruptcy of either or both of the Parent Companies (or any analogous proceeding which may be available from time to time under the laws of Belgium or The Netherlands). Neither the Trustee nor the holders may declare the principal amount of the Securities due and payable.

If a judicial or voluntary liquidation (*liquidation judiciaire ou volontaire*) or bankruptcy (*faillite*) of Fortis Hybrid Financing has occurred and there exists a Trigger Event, the Trustee may institute bankruptcy proceedings against the Parent Companies exclusively in Belgium or The Netherlands but may not pursue any other legal remedy, including a judicial proceeding for the collection of the sums due and unpaid. The amount of any claim which may be sought in any such proceeding shall be determined as set forth above under "— General".

Amendments to the Subordinated Guarantee Agreement

Except as provided in the following paragraphs, the Subordinated Guarantee Agreement may be modified by the parties thereto only with the prior approval of holders of not less than 75% of the aggregate Current Principal Amount of Securities (excluding any Securities held by Fortis Hybrid Financing or any of its affiliates, other than Securities purchased or acquired by Fortis Hybrid Financing or its affiliates in connection with transactions effected by or for the account of customers of Fortis Group or any of its affiliates in connection with the distribution or trading of, or market-making in connection with, the Securities).

The Subordinated Guarantee Agreement may be amended without the consent of the holders of the Securities to:

- amend, waive or otherwise modify any provision incorporated by reference from or defined with reference to the Indenture for purposes of the Subordinated Guarantee Agreement, provided such amendment, waiver or other modification is implemented in accordance with the provisions of the Indenture;
- cure any ambiguity;
- correct or supplement any provision in the Subordinated Guarantee Agreement that may be defective or inconsistent with any other provision of the Subordinated Guarantee Agreement;
- add to the covenants, restrictions or obligations of the Parent Companies; or
- subject to applicable New York law, modify, eliminate and add to any provision of the Subordinated Guarantee Agreement;

provided, in each case, that no such amendment shall have a material adverse effect on the rights, preferences or privileges of holders of the Securities or affect the ranking of the Subordinated Guarantee Agreement, as determined by Fortis Hybrid Financing and the Parent Companies.

In certain circumstances, the consent of holders of 100% of the aggregate Current Principal Amount of the outstanding Securities is required to amend the Subordinated Guarantee Agreement.

Governing Law

The Subordinated Guarantee Agreement will be governed by the laws of the State of New York, except that the subordination provisions therein shall be governed by the laws of Belgium in the case of Fortis SA/NV and the laws of The Netherlands in the case of Fortis N.V.

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.

The table below sets out the dividends Fortis has paid over recent years:

Coupon No.	Gross amount	Payment date	Type
40	0.59	May 27, 2008	Final dividend 2007
39	0.70	September 6, 2007	Interim dividend 2007
38	0.82	June 14, 2007	Final dividend 2006
37	0.58	September 7, 2006	Interim dividend 2006
36	0.64	June 22, 2006	Final dividend 2005
35	0.52	September 15, 2005	Interim dividend 2005
34	1.04	June 16, 2005	Dividend 2004
33	0.92	June 17, 2004	Dividend 2003
32	0.88	June 18, 2003	Dividend 2002
31	0.88	June 20, 2002	Dividend 2001

Fortis N.V.

General

Fortis N.V. is a public limited liability company in the form of a *naamloze vennootschap* under Dutch law. Fortis N.V. was incorporated on April 19, 1984 as a private company with limited liability and converted into a limited liability company on December 6, 1990. 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. Its telephone number is +31 (0)30 226 6222.

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 General Meeting of Shareholders of Fortis N.V. approved on April 29, 2008 an amendment to the articles of association of Fortis N.V. As a consequence of this amendment, the corporate seat of Fortis N.V. will be moved to Amsterdam and the authorized share capital of Fortis N.V. will be increased to EUR 2,007,600,000. The cumulative preference shares will only be in registered form. As of January 1, 2008, Fortis N.V. Shares are 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. 62 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

On March 31, 2008, 2,366,595,497 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, which date may not be before the seventh day before the meeting, (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 April 29, 2008, 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 October 29, 2009. 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 Supervision Act (*Wet op het financieel toezicht*), 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 Financial 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 Financial 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. Its telephone number is +32(0)2 565 11 11.

Share capital

Issued share capital

On March 31, 2008, the issued share capital of Fortis SA/NV amounted to EUR 10,138,296,713.74 and was represented by 2,366,595,497 shares, without indication of nominal value.

Authorized capital

The Extraordinary General Meeting held on April 29, 2008 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 2,022,048,000. 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.

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 April of each year at the registered office, at 9:30 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 his or her Fortis SA/NV Shares 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 April 29, 2008 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.

The above mentioned thresholds of 3%, 6%, 9%, 12% and so on are set out in the articles of association of Fortis SA/NV and are without prejudice to the thresholds of 5%, 10%, 15%, 20% and so on set out in the Belgian Law of March 2, 1989.

The 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 harmonization 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 of September 1, 2008. The provisions of the Belgian Law of March 2, 1989 described above will be abrogated as of September 1, 2008. The New Transparency Law was implemented by the Belgian Royal Decree of February 14, 2008 on the disclosure of significant holdings, which also enters into force on September 1, 2008.

The main changes contained in this legislation are the following:

- 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 mandatory 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 above, 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 natural 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 above.

- The disclosure obligations of the New Transparency Law apply not only to securities with voting rights but also to certain assimilated financial instruments which entitle the holder thereof to acquire securities with voting rights that have already been issued (e.g. options, futures). Contrary to the Law of March 2, 1989, the disclosure obligations do not apply to financial instruments which entitle the holder thereof to acquire securities with voting rights that have not yet been issued (e.g. convertible bonds, subscription rights).

- The disclosure obligation must be complied with within four trading days (rather than two working days). The issuer, in turn, must disclose the declaration to the public no later than three trading days following receipt thereof (it being understood that applicable rules on the disclosure of inside information also apply and may require an immediate disclosure). In accordance with the Belgian Royal Decree of November 14, 2007 on the obligations of issuers of financial instruments that are admitted to trading on a regulated market, the issuer must disseminate the declarations received through the media in the European Economic Area and must put them on its website.

USE OF PROCEEDS

Fortis Hybrid Financing will use the net proceeds of the issue and sale of the Securities to onlend to certain of the operating companies within the Fortis Group in a form approved by the applicable regulator of such operating company such that any on loan will be treated as solvency capital for the applicable operating company.

INFORMATION ABOUT THE ACQUISITION OF ABN AMRO

Cautionary statement

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 "Risk Factors" and "Forward-Looking Statements".

*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 proposed and, on October 3, 2007 the European Commission 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.

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

ABN AMRO Acquisition

On October 17, 2007, RFS Holdings, a company formed by the Consortium Banks for the purpose of acquiring ABN AMRO, completed the acquisition of ABN AMRO. The ABN AMRO Acquisition consideration payable by the Consortium Banks in the aggregate amounted to approximately EUR 71.1 billion (EUR 73 billion on a fully diluted basis). For each ABN AMRO ordinary share tendered, RFS Holdings 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 (EUR 24.7 billion on a fully diluted basis), 33.8% of the total consideration payable in the ABN AMRO Acquisition.

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

- EUR 2 billion from the issue on July 11, 2007 of Conditional Capital Exchangeable Notes exchanged into Mandatory Convertible Securities on December 7, 2007;
- EUR 3 billion from the issuance of Tier 1 capital instruments consisting of EUR 3 billion principal amount of Convertible and Subordinated Hybrid Equity-linked Securities ("**CASHES**"); and
- EUR 6.5 to 8.0 billion from the proceeds of a combination of (i) the sale of specific non-core assets (approximately EUR 2.5 billion); (ii) sale of shared assets of the Consortium (approximately EUR 2.0 billion); and (iii) securitization and other similar transactions (approximately EUR 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 included 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 was closed on November 13, 2007. In addition, Fortis raised additional amounts when it sold its stakes in Banco Comercial Português and ICBC in September and December 2007.

Plans for the ABN AMRO Businesses

With the successful completion of the ABN AMRO Acquisition, RFS Holdings has acquired ABN AMRO. 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 Acquisition 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 acquisition 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**").

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 maximizing 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 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 centers. 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, 2007, excluding discontinued businesses, the Business Unit Netherlands generated total operating income of EUR 4,094 million and reported a net operating profit after tax from continuing operations of EUR 854 million.

The following table shows for the year ended December 31, 2007 certain financial information relating to the activities of ABN AMRO's Business Unit Netherlands acquired by Fortis (Retail and Commercial/Corporate activities in The Netherlands:

	BU Netherlands
	(EUR Million)
Total income	4,094
Total expenses	(2,069)
Change in impairments	(375)
Profit before taxes	1,111
Income tax expenses	(257)
Profit from continuing operations	854
Discontinued operations (net)	52
Net profit	906

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 2007, ABN AMRO was one of the top five private banks in Europe measured by assets under administration. It employed approximately 3,000 staff, operating through 103 offices in 16 countries and had EUR 138 billion of assets under administration.[4]

For the year ended December 31, 2007, the ABN AMRO Business Unit Private Clients acquired by Fortis generated total income of EUR 1,366 million and reported net operating profit after tax of EUR 310 million.

The following table shows certain financial information relating to ABN AMRO's Business Unit Private Clients for the year ended December 31, 2007:

	BU Private Clients
	(EUR Million)
Total income	1,366
Total expenses	(927)
Change in impairments	(4)
Profit before taxes	434
Income tax expenses	(124)
Profit from continuing operations	310
Discontinued operations (net)	–
Net profit	310

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 1,800 staff and operates in 26 countries worldwide. At the end of 2007, the Business Unit Asset Management managed EUR 199 billion of assets under management; just over half 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, 2007, the ABN AMRO Business Unit Asset Management generated total income of EUR 935 million and reported net profit after tax of EUR 182 million.

4. Source: Annual report 2007.

The following table shows certain financial information relating to ABN AMRO's Asset Management business for the year ended December 31, 2007:

	BU Asset Management (EUR Million)
Total income	935
Total expenses	(652)
Change in impairments	(1)
Profit before taxes	283
Income tax expenses	(101)
Profit from continuing operations	182
Discontinued operations (net)	–
Net profit	182

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 2007 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 centers 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*.[5] 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).

- *A Leading European Private Bank*.[6] Fortis and ABN AMRO's combined private bank would be the third largest European private bank based on assets under management. 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*.[7] The combined businesses would also be a top-tier European asset manager based on assets under management. 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.

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

5. 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.

6. Source: Annual report 2007.

7. Source: Global Investor Magazine based on total third party assets under management 2007.

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).

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 approximately EUR 1.3 billion, 87% on the cost savings side and 13% on the revenue benefit side.

Fortis estimates that the Business Unit Netherlands will account for EUR 437 million of these pre-tax synergies. Of that EUR 437 million, EUR 381 million is expected to be achieved on the cost side through network rationalization 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 centers 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 56 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 Private Clients will account for EUR 203 million of pre-tax synergies, of which EUR 160 million is expected to be achieved through a combination of overlapping support functions and EUR 43 million is expected to be achieved through leveraging credit and investment services and the cross-selling of products.

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’s and ABN AMRO’s respective client bases and leveraging growth in Asia.

The remaining EUR 468 million of these EUR 1.3 billion in synergies is expected to be achieved through the integration of the major business systems (34%), shared operations (24%) and IT infrastructure (42%).

Fortis intends to integrate the ABN AMRO Businesses over a 36-month period, focusing on, among others, the identification and mitigation of all relevant integration risks. During the integration process, Fortis is focusing 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 Acquisition 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]	297	46
Dutch Commercial Business[1]	84	10
Private Banking	160	43
Asset Management	145	15
Central Functions	414	54
Total	1,100	168

(1) Taking into account the impact of the Divestment.

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

The Securities are expected to strengthen Fortis's core Tier 1 capital.

Fortis Bank's end of year 2007 solvency surpassed regulatory requirements and Fortis Bank's core Tier 1 ratio was 9.5%. See "Operating and Financial Review — Liquidity and Capital Resources — Supervision and Solvency." The year-end 2007 Fortis Bank Tier 1 capital ratio is 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 participation from Tier 1 capital and 50% from Tier 2 capital.

After the successful completion of the consolidation of ABN AMRO activities, Fortis Bank's Tier 1 ratio is expected to be close to its target of 7%. Each time an activity is integrated, the related goodwill and intangibles will be deducted from Tier 1 capital. See "Operating and Financial Review and Prospects — Liquidity and Capital Resources". 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.

Based on Fortis's 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 Acquisition, ABN AMRO is now owned by the Consortium Banks through RFS Holdings.

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 Hourican, of RBS, is Chief Financial Officer of ABN AMRO.

Together with ABN AMRO, the Consortium Banks have prepared a base-lined plan for the separation and transfer of, among other things, the ABN AMRO Businesses. This plan was submitted to the DNB on December 11, 2007. 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 has been further developed with detailed plans for the separation of businesses in order to minimize the uncertainty for staff and other stakeholders. In each function and Business Unit, the Managing Board has created a Transition Steering Group ("**TSG**"). Each TSG comprises the relevant functional experts/managers seconded to ABN AMRO Group from the appropriate Consortium members for the period of the transition and the relevant ABN AMRO Group functional executive/business manager.

Each TSG is responsible for planning the orderly separation of businesses in line with the guiding principles agreed to by the Banks as set out in the Consortium and Shareholders' Agreement.

Each TSG reports to the Transition Management Committee, which is a sub-committee of the Managing Board. The Transition Management Committee is responsible for reviewing and coordinating the individual plans in order to create an integrated plan for the entire transition, including appropriate risk management and control mechanisms.

The Consortium intends to continue the close and continuous dialogue with the Dutch Central Bank (DNB). In particular, relevant approvals will be obtained from the DNB for each separation before implementation. Fortis has already received the permission from the DNB concerning the proposed demerger of ABN AMRO Asset Management. This demerger was completed on April 1, 2008.

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, while 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 rollout 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 centers 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 centers in The Netherlands. These centers will be fully integrated into Fortis international business center network and will benefit from the continuous upgrade of staff quality, coming from both of Fortis and ABN AMRO.

Fortis will endeavor 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.

Private Clients

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 franchise in Europe and establish a solid growth platform in Asia. Based on assets under management data, the combination is expected to create the third largest European private bank. 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 2007 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.

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 franchise along with global reach and scale.

The combined business will be based on individual investment centers, each offering a broad range of asset classes. Fortis expects that each investment center 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 will 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).

On January 31, 2008, Fortis received permission from the DNB concerning the proposed demerger of ABN AMRO Asset Management from ABN AMRO Bank. This Business Unit merged with Fortis Investments, the asset management company of Fortis, on April 1, 2008.

Details of the ABN AMRO Acquisition

Overview of the ABN AMRO Acquisition

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 acquiring ABN AMRO. On completion of this offer 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 UK Financial Services Authority, De Nederlandse Bank ("**DNB**") in The Netherlands, the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores*, or "**CNMV**"), and the CBFA in Belgium. The consents obtained were in respect of the acquisition of the ABN AMRO group as a whole.

In addition, in order for the conditions to the ABN AMRO Acquisition to have been satisfied, RFS Holdings and/or the Consortium Banks made certain competition and antitrust filings with, and obtained 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 Acquisition. 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 Acquisition. Since the ABN AMRO Acquisition 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 antitrust 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 Acquisition. 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, which was submitted to the DNB in the first quarter of 2008 (iv) that the Consortium Banks shall not make any fundamental changes to the current setup of ABN AMRO before (a) the Consortium Banks have obtained sufficient control over ABN AMRO in order to effect an orderly execution of the proposed reorganization and (b) the transitional plan is approved by the 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 Acquisition 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 Shareholder' 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 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 Acquisition;
- the governance of RFS Holdings before and after the ABN AMRO Acquisition;
- 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 tier 1 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.

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 Acquisition. This funding commitment was split among Fortis, RBS and Santander as follows:

- Fortis: 33.8%;
- RBS: 38.3%; and
- Santander: 27.9%.

Ownership of RFS Holdings

Upon funding for the settlement of the ABN AMRO Acquisition, Fortis, RBS and Santander acquired shareholdings in RFS Holdings equal to their proportionate funding commitments. Four classes of shares were 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 the completion of the ABN AMRO Acquisition, 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

Pursuant to the Consortium and Shareholders' Agreement, a transition plan (the "**Transition Plan**") was agreed in the first 45 days following completion of the ABN AMRO Acquisition. The Transition Plan covers 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. The Transition Plan was submitted to DNB in the first quarter of 2008.

For the development of the Transition Plan, including the information gathering and verification exercise required for that purpose, a project structure has been 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). This plan was submitted for approval to the DNB on December 11, 2007.

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. Fortis received on January 31, 2008 permission from the DNB for the demerger of ABN AMRO Asset Management, which was completed on April 1, 2008.

The Consortium Banks have agreed that the shareholders of ABN AMRO should also approve 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. At year-end of 2007, the Consortium Banks owned 99.04% of all ordinary shares, or 99.34% of total share capital, issued by 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

In the Consortium and Shareholders' Agreement, the partners guaranteed each other a minimum core equity to risk-weighted assets of at least 4.95% for the businesses acquired by the individual partners as of December 31, 2006.

Based on the provisional figures as per year-end 2007 and according to the Consortium and Shareholders Agreement, Fortis is entitled to capital support of the Consortium partners. The capital support can be structured in the form of an exchange of capital relief transactions or a subscription to core equity instruments. A condition related to the capital support is the acceptance of these transactions or instruments as core equity by the home regulators.

The capital support to Fortis, together with the anticipated impact of the EU Remedies, will lead to a transfer of capital of around EUR 3 billion.

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 Acquisition. 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 and accounting aspects relating to the acquisition of the ABN AMRO Businesses

In accordance with IAS 28 Investments in Associates, the shareholding of Fortis in RFS Holdings is considered an investment in an associate, representing an entity over which Fortis has significant influence. RFS Holdings is consolidated as a subsidiary by RBS because of its control over RFS holdings. The minority interest owned by Fortis in RFS Holdings is accounted for using the equity method. 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's share in the profit or loss and net assets of RFS Holdings after the date of acquisition.

On October 10, 2007, the Banks declared the Offer unconditional and effective settlement of the Offer took place on October 17, 2007. This date is identified, pursuant to IFRS 3 Business combinations, as the date of acquisition of control by RFS Holdings on ABN AMRO (with legal, accounting and tax effects) and thus as the date on which the balance sheet figures of ABN AMRO are recognized in the accounts of RFS Holdings.

According to IFRS 3, the acquired ABN AMRO businesses are accounted for using the purchase accounting method.

This process includes the identification and the fair value calculation of the assets and liabilities acquired by Fortis and the recognition and valuation of intangible assets. This process is executed in different stages, which include:

- review of the accounting policies as applied by ABN AMRO and recognition of differences with the accounting policies of Fortis,
- preparation of the fair value accounting of the on-balance and off-balance sheet items of ABN AMRO at the date of acquisition,
- recognition of intangible assets and their value and consequently the calculation of the goodwill paid, and
- accounting for the result of the business units of ABN AMRO acquired by Fortis for the period October 17 - December 31, 2007.

The review of the accounting policies, the preparation of the fair value of the balance sheet items, the recognition and measurement of the intangible assets and the calculation of the goodwill, as described below, are currently taking place and are planned to be finalized by the end of June 2008. Figures disclosed in relation to the recognition and valuation of ABN AMRO related assets and liabilities are therefore provisional.

The provisional identifiable assets and liabilities of the acquired ABN AMRO Businesses and the part of Fortis in the shared assets, as well as the goodwill related to the acquisition, can be presented as follows:

	At October 17, 2007
Due from customers	139,202
Investments	3,856
Property, plant and equipment	1,721
Intangible assets	3,075
Deferred tax assets	652
Other assets	14,440
Total identifiable assets	162,946
Due to customers	125,187
Deferred tax liabilities	138
Other liabilities	32,923
Total identifiable liabilities	158,248
Total net assets	4,698
Minority interests	99
Total net assets attributable to shareholders	4,599
Purchase price	24,046
Net assets	(4,599)
Goodwill	19,447

At Fortis level, the acquisition cost and the goodwill amount are reduced by EUR 92 million due to the elimination (33.81%) of the gains realized on the exchange of the ABN AMRO shares previously held by Fortis entities.

There were no major measurement differences between the accounting principles applied by ABN AMRO and the accounting principles applied by Fortis and as such, there were no resulting significant adjustments of the carrying value of assets and liabilities.

Adjustments following from the application of fair value accounting on the on-balance and off-balance items of the acquired ABN AMRO Businesses mainly related to the mortgage portfolio, funding positions related to the asset and liability management, the property portfolio and the investments in associates.

Intangible assets include an amount of EUR 195 million relating to intangible assets previously accounted for by ABN AMRO. Additionally, an amount of EUR 2,880 million has been recognized in relation to the application of IFRS 3 Business combinations. Presently, Fortis has initially recognized the following intangible assets according to IFRS 3: core deposits, core overdrafts, client relations and the brand name.

- The value of a core deposit intangible asset arises from the deposit base of the acquired business being a source of funding at lower cost than wholesale or money market funding. The spread between the cost of deposit funding – i.e., the interest paid to customers – and the cost of wholesale funding represents the most significant component of value of the core deposit intangible.

- The value of a core overdraft intangible asset arises primarily from future interest income that will be received on revolving loans throughout the length of a relationship with current account customers.

- The value of the customer relationship intangible asset arises from future non-interest (i.e., fee & commission) income. These future benefits are not encompassed in the fair value of loans and receivable balances and are therefore recognized as a separate intangible asset.

As part of the transaction, Fortis also took ownership of the ABN AMRO brand and has valued it as an intangible asset.

The provisional purchase accounting applied on the assets and liabilities of the acquired ABN AMRO businesses and the part of Fortis in the shared assets currently results in goodwill of EUR 19.4 billion (EUR 24 billion acquisition price and EUR 4.6 billion net assets).

The net intangible assets to be deducted in the local regulatory solvency calculation, assuming full consolidation of the acquired ABN AMRO businesses, are currently valued at EUR 2.9 billion, subject to final determination.

The acquired ABN AMRO businesses contributed EUR 179 million to the net profit attributable to shareholders of Fortis in 2007. The share of Fortis in the net assets of acquired ABN AMRO businesses as at December 31, 2007 was EUR 4,755 million. The income statement for the period October 17 to December 31, 2007 (76 days) for the acquired ABN AMRO businesses and the shared assets part of Fortis is as follows:

	October 17, to December 31, 2007
Net interest income	727
Net commissions and fees	472
Realized and unrealized gains and losses	37
Other income	159
Total income	1,395
Change in impairments	(61)
Net revenues	1,334
Staff expenses	(410)
Depreciation and amortization	(184)
Other expenses	(496)
Total expenses	(1,090)
Profit before taxation	244
Income tax expenses	(56)
Net profit for the period	188
Net profit attributable to minority interests	9
Net profit attributable to shareholders	179

The following table provides further information on the total assets and liabilities of the acquired ABN AMRO businesses and the shared assets part of Fortis at year-end 2007:

	At December 31, 2007
Total assets	164,118
Total liabilities	159,263
Total net assets	4,855
Minority interests	100
Total net assets attributable to shareholders	4,755

The net assets evolution between the opening balance (October 17, 2007) and as at December 31, 2007 is explained by the following elements:

Net assets arising on the opening balance	4,599
Result of the year (76 days period)	179
Unrealized gains and losses (net)	(23)
Currency translation differences	(11)
Other changes in equity	11
Net assets at December 31, 2007	4,755

FORTIS HYBRID FINANCING

General

Fortis Hybrid Financing is a special purpose financing vehicle formed by Fortis and incorporated on May 24, 2006 in Luxembourg in the form of a limited liability company (*société anonyme*) and registered with the Luxembourg Register of Commerce and Companies with registration number B-116671. The articles of incorporation of Fortis Hybrid Financing have not been amended since incorporation. The registered office (*siège social*) of Fortis Hybrid Financing is located at 65, boulevard Grande Duchesse Charlotte, L-1331 Luxembourg, Luxembourg, and the telephone number of its registered office is +352 56 44 95 04. Fortis Hybrid Financing's independent auditors are PricewaterhouseCoopers S.à. r.l., Luxembourg, located at 400 route d'Esch, L-1014 Luxembourg. PricewaterhouseCoopers S.à. r.l., Luxembourg is a member of the *Institut des Réviseurs d'Entreprises*.

Business

Article 3 of its articles of incorporation provides that the sole purpose of Fortis Hybrid Financing is to provide a vehicle for raising solvency capital for the Parent Companies and the operating companies of the Fortis Group by issuance of securities which shall rank *pari passu* among themselves, and investing the proceeds thereof in instruments (other than ordinary share capital) issued by any of the Fortis operating companies that qualify as solvency for such Group entity. Fortis Hybrid Financing will not carry out any activities falling within the scope of the Luxembourg law of April 5, 1993 on the financial sector, as amended.

Fortis Hybrid Financing is not subject to the Luxembourg law of April 5, 1993 on the financial sector, as amended, and is not subject to the ordinary supervision of the Luxembourg CSSF.

Fortis Hybrid Financing is currently not subject to any specific corporate governance rules, other than the general rules deriving from Luxembourg law on commercial companies, with which it complies.

The following selected financial information shows the balance sheet at March 31, 2008, December 31, 2007 and December 31, 2006 and the income statement for the three month period ended March 31, 2008, the year ended December 31, 2007 and the period since the date of its incorporation through December 31, 2006. This selected financial information is derived from Fortis Hybrid Financing's audited financial statements for the period ended December 31, 2007 and 2006, prepared in accordance with Luxembourg legal and regulatory requirements and its unaudited financial information as of and for the three month period ended March 31, 2008.

Balance Sheet	**At March 31, 2008**	**At December 31, 2007**	**At December 31, 2006**
		(EUR millions)	
	(unaudited)		
Assets			
Financial assets	997.3	500.00	500.0
Debtors	25.1	13.8	13.7
Prepayments	16.2	6.4	7.2
Total assets	1,038.6	520.2	520.9
Liabilities			
Debenture & other loans	997.3	500.0	500.0
Other creditors	23.9	13.8	13.7
Deferred income	17.4	6.4	7.1
Total liabilities	1,038.6	520.2	520.9
Share capital (320 shares nominal value EUR 100; fully paid up)	0.0	0.0	0.0
Total share capital and liabilities	1,038.6	520.2	520.9

Income Statement	Three Month Period Ended March 31, 2008	2007	Year Ended December 31, 2007	May 24 through December 31, 2006
	(unaudited)			
Interest receivable and similar income	0.4	0.1	0.7	0.4
Interest income from fixed assets	10.0	6.4	25.8	13.7
Other operating income	0.2	0.0	0.0	0.4
	10.6	6.5	26.5	14.5
Interest payable and similar charges	(9.9)	(6.3)	(25.6)	(13.6)
Other operating charges	(0.3)	0.0	(0.1)	(0.5)
Amortization issuing premium	(0.4)	(0.2)	(0.8)	0.4
	(10.6)	(6.5)	(26.5)	(14.5)
Net result	0.0	0.0	0.0	0.0

Fortis Hybrid Financing is a special purpose vehicle, which intends to issue Tier 1 Securities, qualifying as solvency capital for Fortis SA/NV, Fortis N.V. and other companies in the Fortis group, and to invest the proceeds thereof in instruments (other than ordinary share capital) issued by any of the Fortis operating companies that qualify as solvency capital for such Fortis group entity. The Fortis group provides consolidated financial statements and a cash flow statement. Fortis Hybrid Financing has already issued securities in 2006 and 2008 on a stand-alone basis to qualified investors and has had no other activities than these two issues of securities. Therefore, pursuant to article 23.4 of the EC Regulation No 809/2004, as a cash flow statement is not pertinent to Fortis Hybrid Financing, to the offer or to the Securities and is unlikely to influence an informed assessment of the Securities by investors, Fortis Hybrid Financing has not prepared cash flow statements.

There has been no significant change in the financial or trading position of Fortis Hybrid Financing since March 31, 2008 and there has been no material adverse change in the prospects of Fortis Hybrid Financing since December 31, 2007.

Fortis Hybrid Financing is not currently involved, nor has it been involved during the twelve month period immediately prior to the date of this Prospectus, in any governmental, legal or arbitration proceedings which may have or have had a material effect on its business, financial position or profitability.

Share Capital

Fortis Hybrid Financing is a special purpose vehicle whose subscribed share capital amounts to EUR 32,000 (thirty-two thousand Euro) divided into 320 (three hundred and twenty) ordinary shares. Each issued ordinary share has a nominal value of EUR 100 (one hundred Euro). All of the issued shares are fully paid-up.

Management of Fortis Hybrid Financing

The members of the board of directors of Fortis Hybrid Financing are:

- *Patrick Depovere*. Director of Fortis Hybrid Financing. Professional address at Rue Royale 20, 1000 Brussels;
- *Jean Dessain*. General Manager of Capital and Funding of Fortis Group. Professional address at Rue Royale 20, 1000 Brussels;
- *Pierre-Henri Bagon*. Director of Capital Raising of Fortis Group. Professional address at Rue Royale 20, 1000 Brussels;

- *Carl Speecke*. Team Leader. Region 3. Fortis Intertrust. Professional address at 65, boulevard Grande Duchesse Charlotte. L-1331 Luxembourg; and
- *Edward Bruin*. Director Fiscal Affairs. Fortis Intertrust. Professional address at 65, boulevard Grande Duchesse Charlotte. L-1331 Luxembourg.

Patrick Depovere has taken up a new position within ABN AMRO and therefore will resign from his mandate as director and chairman of the Board of Directors as of the next Annual General Meeting of Shareholders.

Edward Bruin has also taken up a new position within Fortis Banque Luxembourg and will consequently also resign from his mandate as director as of the next Annual General Meeting of Shareholders.

The Board, upon discussion during its Board of Directors meeting held on April 25, 2008 resolved to propose to the next Annual General Meeting of Shareholders the appointment of Mr. Jean Fell as director of Fortis Hybrid Financing as replacement of Mr. Edward Bruin for a period of four years. Therefore, his mandate will come to term at the same time as the mandates of the present members of the Board. Mr. Jean Fell is a member of Fortis Intertrust Luxembourg Management. He was born on April 9, 1956 in Echternach and is professionally residing at 65, Bd. Grande-Duchesse Charlotte, L-1331 Luxembourg.

In his capacity as Team Leader at Fortis Intertrust, the purpose of which is to provide daily management of companies, including provision of directors, Mr. Speecke is a director of numerous companies. No other member of Fortis Hybrid Financing's board of directors holds positions outside of Fortis.

No potential conflicts of interest exist between any duties to Fortis Hybrid Financing of the persons referred to above and their private interests and/or other duties.

Major Shareholders

The indirect shareholders of Fortis Hybrid Financing are:

Fortis N.V., 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, 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.

Each of Fortis N.V. and Fortis SA/NV hold, indirectly, 50% of the voting securities in Fortis Hybrid Financing.

CAPITALIZATION OF FORTIS GROUP

The following table sets forth as of March 31, 2008 the actual capitalization of Fortis Group. This table should be read in conjunction with the unaudited consolidated financial statements of Fortis at March 31, 2008 prepared in accordance with IFRS.

	At March 31, 2008
	Actual
	(EUR million) (unaudited)
Debt Certificates[(1)(2)]	101,852
Subordinated liabilities[(3)(4)]	22,539
Total Debt Issues	124,391
Share Capital	11,132
Share Premium Reserve	22,723
Other reserves and components of shareholder's equity	(3,022)
Total shareholder's equity	30,833
Minority interest	1,140
Total Capitalization	156,364

(1) Also includes amounts which will mature within 12 months.

(2) All of the debt certificates are unsecured. None of the debt certificates are guaranteed by third parties.

(3) Total debt issues do not include indirect and contingent liabilities.

(4) All 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 with a nominal value of EUR 3,000 million. None of the liabilities certificates are guaranteed by third parties.

The following table shows the components of the outstanding debt certificates at March 31, 2008:

Current Debt Certificates (including Current Position of Long-Term Debt)	As at March 31, 2008
	(EUR million) (unaudited)
Short-term debt certificates (commercial paper)	51,312
Bons de caisse/Kasbons (short-term)	9
Debt certificates held at fair value through net income	1,986
Total current debt certificates	53,307

Non-Current Debt Certificates (Excluding Current Position of Long-Term Debt)	As at March 31, 2008
	(EUR million) (unaudited)
Long-term debt certificates	14,595
Medium-term debt certificates	19,659
Bons de caisse/Kasbons (long-term)	4,818
Bons de caisse/Kasbons (medium-term)	369
Other (medium term)	335
Debt certificates held at fair value through net income	8,769
Total non-current debt certificates	48,545
Total debt certificates	101,852

There has been no material change in the capitalization of Fortis since March 31, 2008.

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 Acquisition".

SELECTED FINANCIAL AND STATISTICAL DATA OF FORTIS GROUP

The financial information for the years ended and as of December 31, 2007, 2006 and 2005 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 SA/NV and Fortis N.V., respectively and jointly for Fortis.

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, 2007, 2006 and 2005 incorporated by reference herein and "Operating and Financial Review and Prospects" included elsewhere in this Prospectus.

The summary consolidated financial data for the three month period ended March 31, 2008 and 2007 and as at March 31, 2008 have been derived from the unaudited interim consolidated financial statements for the three months ended March 31, 2008, and have been reviewed by PricewaterhouseCoopers Reviseurs d'Entreprises SCCRL and KPMG Accountants N.V., joint independent public accountants for Fortis. 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 2008.

IFRS differ in certain significant respects from accounting principles generally accepted in the U.S. ("**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.

Consolidated Income Statement

	Three Month Period Ended March 31,		Year Ended December 31,		
	2008	2007	2007	2006	2005
	(unaudited)				
			(EUR million)		
Income					
Interest income	25,517	20,852	94,869	72,583	66,845
Insurance premiums	4,499	4,258	14,934	13,984	12,919
Dividend and other investment income	213	196	1,086	996	918
Share in result of associates and joint ventures	120	45	359	198	157
Realized capital gains (losses) on investments	421	399	2,133	1,137	1,642
Other realized and unrealized gains and losses	508	391	1,176	1,362	878
Fee and commission income	1,076	1,024	4,400	3,734	3,124
Income related to investments for unit-linked contracts	(1,828)	452	648	1,929	3,224
Other income	172	196	852	679	712
Total income	30,698	27,813	120,457	96,541	90,419
Expenses					
Interest expense	23,607	(19,042)	(87,354)	(65,121)	(60,227)
Insurance claims and benefits	(4,119)	(3,849)	(14,075)	(13,151)	(11,788)
Charges related to unit-linked contracts	1,608	(860)	(1,426)	(2,374)	(3,709)
Changes in impairments	(524)	(32)	(3,042)	(194)	(235)
Fee and commission expense	(653)	(564)	(2,344)	(1,922)	(1,615)
Depreciation and amortization of tangible and intangible assets	(168)	(143)	(612)	(576)	(548)
Staff expenses	(1,267)	(1,165)	(4,980)	(4,485)	(4,291)
Other expenses	(811)	(832)	(3,798)	(3,336)	(2,856)
Total expenses	(29,541)	(26,487)	(117,631)	(91,159)	(85,269)
Profit before taxation	1,157	1,326	(2,826)	5,382	5,150
Income tax expense	(324)	(149)	235	(1,030)	(1,164)
Net profit for the period	833	1,177	3,061	4,352	3,986
Net gain (loss) on discontinued operations	–	13	1,013	–	–
Net profit attributable to minority interests	25	23	80	62	45
Net profit attributable to shareholders	808	1,167	3,994	4,351	3,941

Consolidated balance sheet (before appropriation of profit)

	At March 31,		At December 31,		
	2008	2007	2007	2006	2005
	(unaudited)				
			(EUR million)		
Assets					
Cash and cash equivalents	21,946	26,371	26,360	20,413	21,822
Assets held for trading	96,234	88,426	74,800	70,215	62,705
Due from banks	143,876	118,982	119,036	90,131	81,002
Due from customers	333,621	312,644	316,308	286,459	280,759
Investments					
Held to maturity	4,072	4,478	4,234	4,505	4,670
Available for sale	152,441	180,448	164,089	186,428	179,020
Held at fair value through profit or loss	4,927	6,344	6,193	6,600	5,127
Investment property	3,703	3,205	3,656	3,047	2,546
Associates and joint ventures	27,796	2,030	28,108	1,854	1,706
Total Investments	192,939	196,505	206,280	202,434	193,069
Investments related to unit-linked contracts	30,420	29,795	31,120	28,749	25,667
Reinsurance and other receivables	11,704	9,218	9,718	9,187	9,557
Property, plant and equipment	3,955	3,485	4,004	3,522	3,197
Goodwill and other intangible assets	3,275	2,523	3,339	2,261	1,922
Accrued interest and other assets	89,801	74,192	80,214	61,858	49,294
Total assets	927,771	862,141	871,179	775,229	728,994
Liabilities					
Liabilities held for trading	112,202	87,606	89,589	64,308	50,562
Due to banks	209,840	208,675	192,431	177,481	175,183
Due to customers	274,253	266,298	262,298	259,258	252,603
Liabilities arising from insurance and investment contracts	66,635	61,881	64,732	59,764	56,109
Liabilities related to unit-linked contracts	30,938	30,273	31,788	29,156	26,151
Debt certificates	101,852	102,155	102,073	90,686	77,266
Subordinated liabilities	22,539	15,821	21,925	15,375	13,757
Other borrowings	1,737	2,149	3,018	2,149	1,699
Provisions	909	838	899	817	907
Current and deferred tax liabilities	2,452	2,726	2,490	2,733	3,629
Accrued interest and other liabilities	72,441	61,249	65,742	51,951	45,011
Total liabilities	895,798	839,671	836,985	753,678	709,338
Shareholders' equity	30,833	21,563	33,047	20,644	18,929
Minority interests	1,140	907	1,147	907	727
Total equity	31,973	22,470	34,194	21,551	19,656
Total liabilities and equity	927,771	862,141	871,179	775,229	728,994

	At March 31,		At December 31,		
	2008	2007	2007	2006	2005
	(unaudited)				
Statistical data					
Group ratios					
Return on total equity[(1)]	13.9%	20.3%	14.9%	22.0%	20.4%
Return on assets[(2)]	0.4%	0.5%	0.5%	0.6%	0.5%
Average equity to average assets[(3)]	3.0%	2.5%	3.3%	2.6%	2.6%
Banking data					
Tier 1 ratio[(4)]	10.5%	6.5%	9.5%	7.1%	7.4%
Total capital ratio[(4)]	11.0%	10.5%	10.1%	11.1%	10.5%
Cost income ratio[(5)]	53.7%	61.1%	62.4%	61.2%	62.3%
Insurance data					
Embedded Value[(6)] (EUR million)	N.A.	N.A.	12,411	12,307	10,623
Claims ratio[(7)]	65.4%	69.2%	67.4%	61.2%	61.3%
Combined ratio[(8)]	96.7%	101.1%	100.1%	96.1%	96.0%

(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) Average equity as a percentage of average assets.

(4) Ratio of March 31, 2008 is in accordance with Basel II.

(5) 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.

(6) Embedded Value is an estimate of the economic value of a life company, excluding any value attributed to future new business. See "Glossary" and "Operating and Financial Review and Prospects — Insurance — European Embedded Value".

(7) 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.

(8) 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 conditions 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. Until the second half of 2007 financial markets had recovered significantly and, in particular, equity markets had 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, however, the US Federal reserve has reduced interest rates by 250 basis points to a federal funds rate of 2.25%, with the most recent reductions made in January and March 2008. Further interest rate increases in the Eurozone appear to be on hold and interest rates in the UK have fallen 75 basis points. However, in the more favorable 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. Equity markets have continued to be volatile through the first quarter of 2008 as the markets have reacted to economic weakness in the U.S., high commodity prices and continuing liquidity problems.

Fortis's asset management performance as well as its merchant banking, securities trading and brokerage activities were positively impacted by the favorable 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 (2007: EUR 1,482 million; 2006: EUR 1,265 million; 2005: EUR 998 million). Also the favorable market conditions contributed to high levels of revenues earned from securities trading and brokerage activities of EUR 1,181 million, EUR 925 million and EUR 705 million in 2007, 2006 and

2005, respectively. These trends continued through the first half of 2007 but due to market declines in the second half of 2007 conditions were less favorable and adversely impacted the net inflows in our asset management business.

Since the end of the third quarter of 2007, credit markets and subprime residential mortgage markets, particularly in the U.S. but also worldwide, have experienced severe dislocations and liquidity disruptions. Sub-prime mortgage loans have experienced increased rates of delinquency, foreclosure and loss since 2007. These and other related events have had a significant impact on the capital markets associated not only with subprime mortgage backed securities, asset backed securities and collateralized debt obligations, but also with credit and financial markets as a whole. These events have also adversely affected monoline insurers and other market participants, resulting in a risk for the monoline insurers of ratings downgrades. If the monoline insurers' and other market participants' credit ratings weaken, the weaker credit of such entities may affect the values of hedges and other transactions with them as counterparties and result in write downs of the values of the assets represented by such instruments, including some instruments which we hold. As a result, banks world-wide have been operating and continue to operate in a difficult environment characterized by liquidity constraints and increased short-term funding costs. Although we do not have any direct mortgage financing activities in the U.S., we are exposed to the U.S. subprime mortgage market though our ownership of mortgage backed securities, asset backed securities and collateralized debt obligations. As these securities and obligations are accounted for on a fair value basis, it is necessary to mark-to-market such securities and obligations. The valuation of such securities and obligations has, particularly in recent months, become increasingly complex and subject to significant uncertainty in light of the illiquidity of certain of the underlying obligations, with financial institutions applying different valuation models to reflect both actual and perceived underlying risk profiles of such securities or obligations when market prices are not available. Valuations may vary significantly according to the particular valuation models and assumptions applied to holdings of such securities and obligations. Such valuation models and assumptions may need to be changed to reflect more current information relating to the underlying risk profiles of those holdings, possibly resulting in significant write downs in the value attributed to those holdings with a consequent impact on the balance sheet and income statements of such institutions. Since Fortis holds portfolios of mortgage backed securities, asset backed securities and collateralized debt obligations, it is accordingly subject to these uncertainties in relation to the value attributable to those holdings and it is possible that significant impairments (resulting in unrealized losses) attributed to those holdings may be necessary from time to time to reflect any adverse developments in the risk profile of those assets and/or the application of a different valuation model or assumptions to such holdings. In the fourth quarter of 2007 Fortis took impairments on these portfolios of € 2.5 billion. See "— Structured Credit Exposure". 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, monoline insurers, banks and other institutions are negatively affected by these market disruptions, our merchant banking, securities trading and brokerage activities may be further affected.

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 which have continued into 2008, the Federal Reserve reduced interest rates six times, initially by 50 basis points on September 18, 2007 and by an additional 25 basis points on October 31, 2007 and December 11, 2007, reducing the Federal Funds rate to 4.25% followed by an additional 125 basis point decrease, implemented in two steps in January 2008 to 3.00%. On March 18, 2008, the Federal Reserve reduced interest rates by a further 75 basis point to 2.25%. In Europe, the ECB has raised interest rates since December 2005 from 2% to 3.75% in 7 separate 25 basis points increases. Further rate changes by the ECB remain on hold. Interest rates in the United Kingdom which had reached 5.50% during 2007, have been reduced to 5.0% with two 25 basis point reductions on February 7, 2008 and April 10, 2008 in response to the credit market dislocations.

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, 2007, (2006: 35%) 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 2005 and 2006 and through the first half of 2007 favorably impacted fees earned in our asset management operations with less favorable and more volatile markets since July 2007 adversely impacting net inflows with the concurrent impact on fees.

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.

Structured Credit Exposure

Structured credit portfolio

The net exposure of Fortis’s total structured credit portfolio after impairments amounted to EUR 48 billion at the end of 2007. The portfolio can be divided into three major segments:

- US subprime CDO portfolio: EUR 2.9 billion
- Credit spread portfolio: EUR 42.2 billion
- Insurance ABS portfolio: EUR 3.1 billion

At the Bank, an impairment of EUR 2.4 billion (after tax EUR 1.5 billion) was taken on the super senior CDO portfolio with subprime exposure in the fourth quarter of 2007. Additionally, an impairment of EUR 0.2 billion was recorded in 2007 on the below super senior tranches and some warehouse positions related to origination activity. Finally, an impairment of EUR 0.1 billion was booked in the credit spread portfolio, bringing total subprime impairments taken at the Bank to EUR 2.7 billion in 2007 (after tax EUR 1.7 billion).

The total impact of the credit market turmoil on insurance amounted to EUR 0.3 billion (after tax EUR 0.2 billion), approximately half of which was due to impairments and half to changes in fair value through the income statement.

US subprime CDO portfolio

Fortis has reviewed the value of its US subprime super senior CDO portfolio with a gross exposure of EUR 5.3 billion. Fortis applied a prudent approach to impairments, using stringent assumptions on the super senior CDO subprime exposure. This resulted in impairments of 43% for the High Grade super senior CDO tranches and 57% for Mezzanine super senior CDO tranches. The impact on net profit of these impairments amounted to EUR 1.5 billion (EUR 2.4 billion pre-tax).

In addition, an impairment of EUR 0.2 billion was taken in the fourth quarter on below super senior tranches and some warehouse positions related to the origination activity. The only net exposure left (after impairments) related to subprime CDO's are the AAA High Grade and Mezzanine super senior tranches.

Credit spread portfolio

Fortis Bank manages a portfolio of structured credits aimed at generating long-term stable spread income. The conservative portfolio focuses on the highest quality of assets and is well diversified over a large number of securities with an average size of EUR 20 – 25 million.

Over 93% of the portfolio is AA or better, 84% of which is AAA. The vast majority of securities in the portfolio are first-order securitizations such as RMBS, ABS and CLOs. Less than 6% of the portfolio consists of CDOs.

Besides its exposure to subprime CDO tranches, Fortis has a limited exposure to subprime RMBS. At the end of 2007 gross exposure amounted to EUR 0.6 billion. The portfolio consists predominantly of AAA super senior tranches (76%), and the remainder are AA. Given current credit enhancements, even with cumulative losses of 30%, no impairments on these tranches are expected to be necessary.

Total impairments on the credit spread portfolio amounted to EUR 0.1 billion in 2007. Due to further widening of credit spreads, the negative revaluation of the structured credit portfolio recorded under 'available for sale' increased from EUR 0.7 billion at the end of the third quarter to EUR 0.9 billion at year-end 2007. These negative revaluations did not have an impact on the income statement or on core equity.

Insurance portfolio

Fortis Insurance's total net exposure to structured credits amounts to EUR 3.1 billion. The portfolio provides Insurance with fixed and relatively high financial income while contributing to the diversification of Insurance's investment book. A large majority of the portfolio is composed of high quality and well diversified securities, in terms of collateral type and geography. US subprime exposure is limited to EUR 0.2 billion, mostly high quality and older vintages, as the exposure to 2006 and 2007 vintages is less than EUR 10 million.

Impairments of EUR 147 million were taken on various debt instruments at Insurance in 2007. Taking into account changes in fair value through the income statement, the total impact of credit market turmoil on Insurance for the full year amounted to EUR 336 million before tax.

Scaldis

Fortis manages one conduit, Scaldis, which was established in 1999 and has current outstandings of around EUR 18 billion. Scaldis is part of the credit spread portfolio described above. Scaldis is a hybrid ABCP programme with 70% AAA securities and 30% multi-seller receivables, and it enjoys the highest possible ST ratings (P1/F1+/A1+). Despite the developments in the global commercial paper market, the program has been able to finance itself externally for the majority of the portfolio. As at December 31, 2007 100% of funding comes from third party commercial paper investors.

Leveraged finance

Fortis has limited exposure to the leveraged finance market, representing EUR 4.3 billion or around 1.5% of total loans to customers. This is a highly diversified portfolio in terms of geography and sector which focuses on the mid-cap segment. This portfolio was created as a result of over 200 deals, around half of which date back to before 2007, with an average ticket size of around EUR 25 million.

Hedge funds financing

As part of its Merchant Banking activities, Fortis engages in the financing of hedge funds. The outstandings to hedge funds is limited as it represents less than 1% of total loans to customers. Around 90% of this exposure relates to funds of hedge funds, making this a highly diversified portfolio with a high collateral ratio of 6:1. Only one-third of the total amount outstanding is taken up for leverage, and the rest is for bridge financing.

Real estate financing

Asset-based real estate financing commitments with Merchant Banking amount to EUR 6.2 billion (2% of total loans to customers). The average loan to value of this diversified and entirely European portfolio is in the 60-70% range. The portfolio does not contain speculative financing.

US corporate lending

US corporate outstandings amounted to EUR 10 billion at the end of 2007, around 60% of which are included in the Energy, Commodities & Transportation ("**ECT**") portfolio. Risk mitigating factors are the high level of collateral, long-standing relations with these clients and relatively short-term and self-liquidating nature of commodities financing at ECT.

Monoline insurers

Fortis has a EUR 0.5 billion direct exposure to a number of monoline insurers. Fortis also has a EUR 4.7 billion indirect exposure to monoline insurers, EUR 3.5 billion of which in the structured credit portfolio and EUR 1.2 billion in other financings. Fortis has not taken any impairment related to these exposures.

Liquidity

Since the global liquidity crisis of 2007, Fortis has been strictly managing its strong liquidity position and taken appropriate measures to maintain it. Fortis benefits from a diversified funding base with more than half of funding coming from customer deposits. As a bancassurer, Fortis is able to utilise its large liquid asset base to attract collateralized funding at attractive rates.

Equity markets

Fortis's total equity portfolio amounted to EUR 13.8 billion in 2007, broken down into EUR 9.4 billion at Insurance and EUR 4.4 billion at Banking at year-end, with total unrealized gains after tax of EUR 1.8 billion. A substantial part of the Insurance portfolio is hedged dynamically via Constant Proportion Portfolio Insurance ("**CPPI**") techniques. For a discussion of the CPPI techniques, see "Risk Management — Market Risk in Insurance — ALM risk: Currency risk". 90% of changes in net unrealized capital gains in the Insurance portfolio are included in core capital. Based on the size of the portfolio at the end of 2007, the impact of segregated accounts and the hedges in place, the sensitivity of Fortis's core capital to 10% changes in the equity market is estimated at EUR 600 to 700 million.

Real estate

Fortis's real estate portfolio is valued at amortized cost in its balance sheet at 6.2 billion. The fair value of this portfolio amounts to EUR 9.0 billion implying an unrealized gain net of tax of EUR 2.0 billion. This high quality portfolio is well balanced over offices, retail, residential, parking facilities and land, with a strong foothold in Belgium and The Netherlands.

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, 2007 (including the 2006 and 2005 comparative figures), are prepared in accordance with IFRS, including the International Accounting Standards and Interpretations at December 31, 2007 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 2007 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.

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 36 of the Notes to the 2007 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 2007 consolidated annual financial statements are consistent with those applied for the years ended December 31, 2006 and December 31, 2005.

On June 1, 2007 the European Union endorsed the two following International Financial Reporting Interpretations Committee ("**IFRIC**") reports:

- IFRIC 10, *Interim Financial Reporting and Impairment*. This interpretation prohibits the impairment losses recognized in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. The accounting policies of Fortis were already in line with this interpretation.
- IFRIC 11, IFRS 2: *Group and Treasury Share Transaction*, applicable as from the financial year 2008. This interpretation provides further guidance on the implementation of IFRS 2, *Share-based Payment*. Fortis is evaluating the effect of this interpretation for implementation in 2008.

On September 6, 2007, the IASB issued a revised version of IAS 1, *Presentation of Financial Statements* applicable as from the financial year 2009. The changes will only have an impact on the presentation, not on recognition or measurement.

On November 21, 2007, the European Union endorsed IFRS 8, *Operating Segments*. Fortis is evaluating the effect of this Standard for implementation in 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.

Change in the Composition of Fortis and Comparability of Results

2007 Compared to 2006

Results for 2007 compared to 2006 are not directly comparable as Fortis made a number of acquisitions and dispositions during 2007, the most significant of which are:

- The acquisition of the ABN AMRO Businesses, consolidated based on the equity method as of October 17, 2007.
- The disposition of its stake in CaiFor (its Spanish joint venture insurance operations), deconsolidated as of November 13, 2007.
- the acquisition of Pacific Century Insurance (a Hong Kong based insurance company now renamed Fortis Insurance Company Asia), consolidated as of May, 25 2007.
- the acquisition of Dominet SA (a full-service retail bank in Poland) for EUR 240 million, consolidated as of March 22, 2007.

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 and 2005 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.
- The acquisition of Disbank, the seventh largest bank in Turkey, consolidated as of the third quarter of 2005.
- The acquisition of Dryen (an international asset manager), consolidated as of the fourth quarter of 2005.
- The acquisition of Atradius (a European factoring company), consolidated as of the fourth quarter of 2005.

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. It has two primary business segments – banking and insurance. Over the past several years it has made a number of organizational and management changes, primarily with respect to banking, so its reporting segments have changed over the past several years, with the most recent changes effective January 1, 2008.

New Management and Organizational Structure as of January 1, 2008

As of January 1, 2008 Fortis has reorganized its management and organizational structure into four core businesses (the figures as reported for the first quarter of 2007 have been restated for comparison purposes and will be restated for the full year 2007):

- Retail Banking;
- Asset Management & Private Banking;
- Merchant Banking; and
- Insurance.

Activities not related to banking and insurance and elimination differences are reported separately from the banking and insurance activities.

Fortis will begin reporting its financial results on this basis beginning with the first quarter of 2008 and will restate financial results for 2007 on a comparable basis. See "—Results for the Three Month Period Ended March 31, 2008 and 2007." As this new management and organizational structure was only effective as of January 1, 2008 the following discussion of the years 2007, 2006 and 2005 is based on the segments as the Group was organized, during these periods and as described below.

The reorganization on January 1, 2008 was driven in part by the acquisition of the ABN AMRO Businesses. This reorganization only affected the presentation of financial information of the Banking business segments and not the presentation of financial information for the Insurance business segments. Therefore, the discussion of the results of operations of the Banking business segments for the three months ended March 31, 2008 and 2007 will not be comparable to the discussion for the full years 2007, 2006 and 2005.

The differences in the presentation of financial information between the Banking business segments in 2007 compared to as reorganized in 2008 are:

- The financial information for the three month period ended March 31, 2007 for Retail Banking is the same as the financial information for the same period for the old Retail Banking Network.
- The financial information for the three month period ended March 31, 2007 for Asset Management & Private Banking is the same as the addition of financial information for the same period for the old business segments Retail Banking Asset Management and Private Banking because the eliminations made for the Merchant & Private Banking split were nil.

The restated financial information for the three month period ended March 31, 2007 for Merchant Banking is only slightly different from Merchant Banking as separated from the old Merchant & Private Banking segment because the eliminations made for the Merchant & Private Banking split were nil.

Management and Organizational Structure as of January 1, 2007

As of January 1, 2007 Fortis reorganized its organizational and management structure into three core businesses (the figures as reported for 2006 were restated for comparison purposes):

- Retail Banking;
- Merchant & Private Banking; and
- Insurance.

As such, Fortis was organized on a worldwide basis into three businesses, further subdivided into business segments as described 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.

Activities not related to banking and insurance and elimination differences are reported separately from the banking and insurance activities.

Transactions between the different segments are executed under standard commercial terms and conditions ("at arm's length").

Retail Banking

Retail Banking consisted of the segments Retail Banking Network and Retail Banking Asset Management.

Retail Banking Network

Retail Banking Network 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.

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 consisted of the segments Merchant & Private Banking Clients and Merchant & Private Banking Skills.

Merchant & Private Banking Clients

Merchant & Private Banking Clients 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. The Merchant & Private Banking Clients coverage model includes Corporate, Institutional & Public Banking, Commercial Banking, ECT (Energy, Commodities and Transportation) and Private Banking.

Corporate, Institutional & Public Banking is responsible for the global relationship management of corporate, institutional and public-sector clients. Commercial Banking aims to be the partner of choice for

Europe-oriented medium-sized enterprises by offering value-added solutions through a cohesive network of Business Centers. Within ECT, Fortis offers financial solutions to these industry sectors. Private Banking offers integrated, worldwide asset and liability management solutions to high net worth individuals, their businesses and their advisors.

Merchant & Private Banking Skills

Merchant & Private Banking Skills provides 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 (the African banking operations) and some other Fortis companies are also 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 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

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 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 and health products.

Insurance Netherlands

Insurance Netherlands serves the market via independent insurance brokers, bancassurance and tied agents using the internet and offers businesses and individuals a wide range of life, non-life, healthcare and disability insurance products, and mortgage and savings products.

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

Insurance International comprises Fortis's insurance activities outside Belgium and The Netherlands. Insurance activities are carried out in Luxembourg, France, the United Kingdom, Germany, Russia, Ukraine and Turkey via Fortis Insurance International and its subsidiaries. Fortis also has insurance operations in Portugal, China, Malaysia and Thailand in cooperation with local partners.

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 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 and the UK. 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 insurer for large and medium-sized national and international companies in the Benelux.

Eliminations

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.

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

Activities of these business segments were substantially the same as described for the organizational structure in 2007 and 2008.

Recent developments

On May 13, 2008 Fortis announced its results for the three month period ended March 31, 2008. Despite challenging markets, continued growth in income supported by strict cost management allowed Fortis to report net profit of EUR 808 million for the first quarter of 2008 compared with net profit of EUR 1,167 million in the first quarter of 2007. The first quarter of 2008 was adversely impacted by EUR 380 million net of tax impact attributable to the credit market turmoil.

Key figures Fortis

	Three Month Period Ended March 31		
	2008	2007	Change
	(unaudited) (EUR million)		
Net profit before results on divestments	808	1,167	(31)%
Banking	721	903	(20)%
Insurance	219	352	(38)%
General (including eliminations)	(132)	(88)	50%
Results on divestments	0	0	–
Net profit Fortis	808	1,167	(31)%
Weighted average number of ordinary shares (in million)	2,191	1,544	42%
EPS (in EUR)	0.37	0.76	(51)%
Before results on divestments	0.37	0.75	(51)%
Net equity per share (in EUR)	14.08	16.68	(16)%
Return on equity	14%(1)	17%(2)	–

(1) Rolling average, based on last four quarters.

(2) Refers to full year.

Consolidated results for the three month period ended March 31, 2008 and 2007

Net profit Fortis

Net profit before divestments in the first quarter of 2008 reached EUR 808 million, compared with EUR 1,167 million in the first quarter of 2007. Both Banking and Insurance came in lower year-on-year, due to additional impairments on the structured credit portfolio totalling EUR 380 million net of tax. Underlying commercial performance showed resilience despite difficult market conditions. Cost measures kept expenses well under control.

Net profit Banking

First quarter 2008 net profit amounted to EUR 721 million, 20% lower than the same quarter last year, a resilient performance given the challenging market conditions. The main impact came from an additional impairment on structured credit products of EUR 231 million after tax.

Compared with the first quarter of 2007, income grew by 17% mainly on the back of strong treasury and financial market results, which more than compensated for slightly higher expenses. However, the positive impact of higher income was partly offset by significantly higher effective taxes (EUR 183 million), driven mainly by taxable capital gains on government bonds and the specific tax treatment of trading results.

Net profit Insurance

Fortis Insurance posted a net profit of EUR 219 million in the first quarter 2008, 38% down on the first quarter last year, while the negative effect from the credit market turmoil in the first quarter 2008 on net profit was EUR 149 million (pre-tax impact of EUR 209 million). This effect offset the positive impact of sound commercial growth and strict cost control.

Gross premiums both at Life and Non-Life increased in the first quarter by respectively 5% and 3% year on year driven by strong commercial performance in all Benelux countries. The implementation of the Fortify strategy is continuing in both Europe and Asia. Life insurance operations were recently started up in India.

Net profit General

The net negative result for the first quarter of 2008 was EUR 132 million, EUR 44 million down on the first quarter of last year.

This result was driven by higher financing charges related to the ABN AMRO transaction and the negative effect of fair-value changes on investments.

Structured credit portfolio

Fortis's total structured credit portfolio net of write-downs amounted to EUR 41.6 billion at the end of the first quarter of 2008. The EUR 5.7 billion decline compared to the end of 2007 can be fully explained by repayments, changes in exchange rates, some selective sales and additional write downs:

- US subprime CDO portfolio EUR 2.3 billion
- Credit spread portfolio EUR 36.9 billion
- Insurance ABS portfolio EUR 2.4 billion

A further deterioration in credit market conditions in March 2008 led to various downgrades of investment securities within the structured credit portfolio. This led to additional impairments on the investment portfolios of both Banking and Insurance.

Banking incurred impairments totalling EUR 366 million (after tax EUR 231 million). Two thirds of these impairments were taken on the super senior CDO portfolio with subprime exposure. Deterioration in the quality of the vintages before 2006 was the primary reason for the additional impairments.

An additional impairment of EUR 32 million was taken on super senior mezzanine CDOs with subprime exposure, increasing coverage as a percentage of the notional amount from 57% to 63%. An additional impairment of EUR 212 million was booked with respect to super senior high grade CDOs with subprime exposure, leading to a coverage ratio of 48% compared to 43% at the end of 2007. In addition, EUR 79 million of impairments were taken on warehouse positions related to the CDO origination activity.

The remaining EUR 43 million impairments were booked primarily on HELOCs wrapped by downgraded monolines and to a lesser extent on subprime and Alt-A securities.

The total impact of the credit market turmoil on Insurance amounted to EUR 209 million (after tax EUR 149 million), of which the vast majority was due to changes in fair value through the P&L with the remainder due to impairments.

The strong deterioration in credit markets pushed down the valuation of instruments that were fundamentally sound from a credit point of view. During the first quarter of 2008 the unrealized loss of the structured credit portfolio recorded under 'available for sale' (AFS) increased by EUR 1.6 billion to EUR 2.5 billion. This unrealized loss does not have an impact on our P&L and core equity.

Loans to customers

Credit quality of various types of loans remained very strong during the first quarter of 2008, as evidenced by the low credit loss ratio of 12 basis points as a percentage of credit risk-weighted commitments excluding impairments on the structured credit portfolio.

Monoline insurers

Fortis's direct exposure to monoline insurers has been reduced from EUR 0.5 billion to EUR 0.3 billion as a result of repayments. The remaining direct monoline exposure is to FSA.

Equity markets

Fortis's total equity portfolio recorded in AFS amounted to EUR 10.8 billion at the end of the first quarter of 2008, down EUR 3.0 billion from year-end 2007. The decrease is the result of a decision to lower our equity exposure, the negative evolution of equity markets and the realisation of capital gains.

Sharply lower equity markets in the first quarter had a negative impact on Fortis core equity of EUR 1.2 billion, EUR 0.2 billion of which was related to the realisation of capital gains on equities. The remaining negative impact of EUR 1.0 billion is the result of on average around 14% lower equity markets in the first quarter of 2008. This is fully in line with earlier guidance on the sensitivity of Fortis's core equity to a 10% change in equity markets, amounting to EUR 600 to 700 million.

Solvency

Introduction

For a discussion of Fortis' core equity targets, see "—Liquidity and Capital Resources—Supervision and Solvency."

Given the moderate risk profile of the ABN AMRO Acquired Businesses, Fortis will maintain the current capital targets after the acquisition (expressed under Basel I framework for the Bank) in line with rating expectations.

Solvency under Basel II regime

Moving from Basel I to Basel II is a gradual process during which both banks and regulators need to gain confidence in the way capital requirements are calculated. This is certainly the case for banks which, like Fortis Bank, apply the most sophisticated approaches (Advanced Internal Ratings Based Approach for credit risk and Advanced Measurement Approach for operational risk). The CBFA, Fortis's supervisor on a consolidated basis, has granted its approval for using the most advanced approaches for calculating the own funds requirements under Basel II. Furthermore, the terms and conditions set by the regulator include a high degree of conservatism, which is applied to the calculations published today. At the same time, one must take into account that there are differences between Basel I and Basel II in the treatment of certain exposures. See "—Bank Cash Flows—Capital Adequacy—Basel II."

The calculation of risk-weighted commitments under Basel II at the end of the first quarter of 2008 resulted in a decrease to EUR 253.1 billion or 89% of risk-weighted commitments of EUR 284.0 billion under Basel I. Fortis benefits from the implementation of the most sophisticated capital requirement calculation approaches, leading to a much more granular risk weighting than under Basel I. This was partially offset by an increase of Basel II risk-weighted commitments due to the downgrade in the first quarter of 2008 of part of the ABS portfolio.

Moreover, the computation of available capital has been adjusted for Basel II, although most changes were already applied by Fortis in 2007. Since January 1, 2007, Fortis has deducted 50% of specific participations from Tier 1 capital and the remaining 50% from total capital, in line with the rules of the Belgian regulator. The main change in our available capital base under the Basel II regime is that the IRB (Internal Rating Based) provision excess (i.e. the difference between the loan loss provisions and the expected loss) is added to Tier 2 capital. If the difference is negative, 50% is subtracted from Tier 1 capital and the remaining 50% from Tier 2 capital.

The table below presents the solvency of Fortis Bank and Fortis Group calculated under Basel II and Basel I at the end of the first quarter of 2008 as well as Basel I figures at 2007 year-end.

Key Capital Indicators

	At March 31,		At December 31,
	2008[1]	2007[2]	2007[2]
	(unaudited) (EUR million, except ratios)		
Fortis			
Core equity	26,002	25,984	26,063
Core equity target	–	20,525	19,892
Amount of core equity above target	–	5,459	6,171
Group leverage on core equity	18.5%	18.6%	18.2%
Total available capital	27,883	27,751	27,999
Minimum solvency requirements	24,313	26,782	25,725
Amount of total capital above minimum solvency requirements	3,570	969	2,274
Bank			
Risk-bearing capital	27,968	27,837	27,231
Risk-weighted commitments	253,145	284,010	270,207
Credit risk	225,860	257,489	249,280
Market risk	13,270	26,521	20,927
Operational risk	14,015	–	–
Core Tier 1 ratio	9.5%	8.5%	8.6%
Tier 1 ratio	10.5%	9.3%	9.5%
Total capital ratio	11.0%	9.8%	10.1%
Insurance			
Risk-bearing capital	8,876	8,876	9,656
Regulatory Minimum Margin	4,061	4,061	4,108
Core solvency ratio	192.0%	192.0%	209.2%
Total solvency ratio	218.6%	218.6%	235.1%

(1) Based on RWCs and capital under Basel II for Bank and Group.

(2) Based on RWCs and capital under Basel I for Bank and Group.

Methodology used to consolidate ABN AMRO activities for key capital calculations

The amounts presented are based on the consolidation of the businesses acquired from ABN AMRO under the equity method, whereby 50% of Fortis's EUR 24 billion stake in RFS Holdings is deducted from core equity. The remaining 50% is deducted from total capital, which does not affect the measurement of core equity.

Every time an ABN AMRO activity is transferred to Fortis, the goodwill and intangibles related to that activity will be deducted from core equity and the related risk-weighted commitments will be consolidated. On the other hand, the amount of the participating interest previously deducted will be reduced accordingly. The asset management activities were transferred at the beginning of the second quarter of 2008. The remaining activities will be transferred between the fourth quarter of 2008 and the last quarter of 2009. In the course of this period, the surplus of core equity will decrease, but Fortis will manage its capital in such a way that core equity ratio and leverage are close to target once the ABN AMRO activities have been fully consolidated.

Group solvency

The group core equity was EUR 5.5 billion above target at the end of the first quarter of 2008, compared with EUR 6.2 billion at the end 2007, whereby the target is computed on the basis of Basel I risk-weighted commitments.

During the first quarter of 2008, Fortis's core equity was unchanged at EUR 26 billion compared to year and 2007. Retained net profit of EUR 0.8 billion and the issue of EUR 0.5 billion of non-innovative tier 1 hybrid securities (NITSH) were offset by the EUR 1.2 billion negative impact of the equity market on Fortis's available for sale equity portfolio and EUR 0.1 billion due to other elements predominantly related to translation differences deducted from core equity. Of the EUR 1.2 billion impact of equity markets on core equity, EUR 0.2 billion was related to the realization of capital gains on equity.

Rising bank risk-weighted commitments (predominantly related to market risks), computed under Basel I, drove up group core equity target to EUR 20.5 billion at the end of the first quarter of 2008, 3% above the EUR 19.9 billion target core equity at the end of 2007.

Group leverage stood at 18.6% at the end of the first quarter of 2008, but is expected to be back on target by the end of the year.

Bank solvency

Fortis Bank remained well capitalised at the end of the first quarter of 2008. Under Basel I, the core tier 1 ratio decreased slightly compared with the end of the year, from 8.6% to 8.5%, whereas the total capital ratio went down from 10.1% to 9.8%.

Under the Basel II regime, Fortis Bank's tier 1 ratio was 10.5% and the total capital ratio stood at 11.0%. These ratios reflect a relief resulting from the application of an advanced approach in the calculation of capital requirements.

In the course of the first quarter of 2008, bank core equity rose from EUR 23.3 billion to EUR 24.1 billion both under Basel I and Basel II. The increase was driven by retained net profit of EUR 0.8 billion in the first quarter and the issue of EUR 0.5 billion non-innovative tier 1 hybrid instruments (NITSH). Both elements more than compensated for the EUR 0.2 billion negative impact from unrealized losses on the available for sale equity portfolio and other elements, predominantly related to translation differences deducted from core equity.

Total capital climbed from EUR 27.2 billion to EUR 28.0 billion under Basel II (EUR 27.8 billion under Basel I). This increase was fuelled chiefly by the change in core equity described above and the impact of the equity market on Fortis Bank's unrealized capital gains, which reduced Fortis's capital by EUR 0.3 billion.

The volume of Basel I risk-weighted commitments increased by 5% to EUR 284.0 billion. Credit risks grew by 3%, slightly more than underlying loan growth, while market risks rose by 27%. The increase in market risks of EUR 5.6 billion was due primarily to EUR 3.1 billion in repurchase agreements with Fortis Insurance, while the remaining part resulted from increased market volatility. Yearly growth of total risk-weighted commitments is expected to remain limited to a maximum of 10%. Basel II risk-weighted commitments stood at EUR 253.1 billion at the end of the first quarter of 2008, EUR 14.0 billion of which was related to operational risk.

Insurance solvency

At the end of the first quarter of 2008, the insurance core solvency ratio and the total solvency ratio stood at 192% and 219% respectively.

During the first quarter of 2008, the core equity of the insurance sector decreased from EUR 8.6 billion to EUR 7.8 billion. The EUR 0.2 billion of net retained profit of the quarter could not compensate for the negative EUR 1.0 billion impact of the equity market on unrealized capital gains in AFS equities.

Of the EUR 1.0 billion impact of equity markets on core equity, EUR 0.2 billion is related to the realization of capital gains on equity.

The required minimum margin remained flat, at EUR 4.1 billion. Business growth was offset by technical adjustments.

Fortis Capital Composition

	Fortis		Bank		Insurance		General	
	At March 31,	At December 31,	At March 31,	At December 31,	At March 31,	At December 31,	At March 31,	At December 31,
	2008(1)	2007(2)	2008(1)	2007(2)	2008	2007	2008	2007
	(unaudited) (EUR million)							
Share Capital & Reserves	28,073	28,451	31,911	32,235	3,343	3,399	(7,181)	(7,183)
Net profit attributable to shareholders	4,802	3,994	2,490	1,768	2,752	2,534	(440)	(308)
Unrealized gains and losses	(2,042)	602	(2,348)	(699)	268	1,225	38	76
Shareholders' equity	30,833	33,047	32,053	33,304	6,363	7,158	(7,583)	(7,415)
Non-innovative capital instruments	6,181	5,683	3,219	2,756	–	–	2,962	2,927
Minority interests	1,140	1,147	420	429	680	676	40	42
Revaluation of real estate to fair value	1,591	1,556	–	–	1,591	1,556	–	–
Revaluation of debt securities, net of tax and shadow accounting	2,148	1,288	2,038	1,070	133	235	(23)	(17)
Revaluation of equity securities, net of tax and shadow accounting	(30)	(528)	–	(385)	(29)	(137)	(1)	(6)
Goodwill	(1,489)	(1,515)	(970)	(1,025)	(519)	(490)	–	–
Expected dividend	(1,313)	(1,313)	–	–	–	–	(1,313)	(1,313)
Subordinated loans	12,693	12,739	15,474	15,582	756	757	(3,537)	(3,600)
Other prudential filters and deductions on total capital	(14,346)	(14,336)	(14,071)	(14,043)	(275)	(293)	–	–
Total Capital	27,883	27,999	27,968	27,231	8,876	9,656	(8,961)	(8,888)

(1) Capital is computed under Basel II.

(2) Capital is computed under Basel I.

Fortis's solvency after full consolidation of ABN AMRO activities

When assessing Fortis's pro forma solvency position with full consolidation of the acquired ABN AMRO activities, the following core equity movements need to be taken into account:

- Reversal of the 50% acquisition price deduction of EUR 12.1 billion
- Deduction of goodwill and intangible assets, inclusion of the capital support as stipulated in the Consortium Shareholders Agreement and the anticipated impact of the EU remedies, leading to a total reduction of around EUR 19 billion.

Furthermore, a fully consolidated Fortis core equity target includes the capital requirements for the risk-weighted commitments of the acquired ABN AMRO activities. The risk-weighted commitments were slightly up to around EUR 79 billion at the end of the first quarter of 2008.

The majority of events influencing the reported solvency will take place between the end of 2008 and the end of 2009. During this period, the following four factors will ensure continued compliance with our capital targets:

- Retained earnings

- Controlled growth of capital requirements
- Disposal of non-strategic assets and creation of joint ventures
- Non-dilutive capital raisings and capital relief transactions

With regard to disposals and joint ventures, Fortis has already announced several transactions that will have a positive impact on its core equity in the next quarters :

- Fortis and VINCI have signed a memorandum of understanding with a view to combining their respective activities in the public car park industry. This transaction would involve combining VINCI Park, a subsidiary of VINCI Concessions, and Interparking, a subsidiary of Fortis Real Estate. Both groups would share the equity of the new entity, which would be majority owned by VINCI, with Fortis retaining a significant holding. This transaction is estimated to benefit the core equity of both Fortis Insurance and Fortis Group by around EUR 0.5 billion in the second half of 2008.
- In the process of integrating the acquired ABN AMRO businesses, Fortis Investments took over the asset management activities of ABN AMRO on April 1, 2008. A 50% stake in the merged company will subsequently be sold to Ping An for EUR 2.15 billion, which equals the solvency impact. This transaction is expected to take place in the second or third quarter of 2008.

After full consolidation of all activities acquired from ABN AMRO in 2009, the group core equity is expected to be in line with Fortis's target.

FTE developments

Key figures

	March 31, 2008	December 31, 2007	Change
	(unaudited)		
Banking	47,219	46,861	1%
Insurance	15,131	14,967	1%
General	174	181	(4)%
Fortis Total	65,524	62,010	1%
Benelux	63%	63%	–
Outside Benelux	37%	37%	–

Fortis workforce continued to grow in the first quarter of 2008, increasing by 514 FTEs (from 62,010 to 62,524). More then 2,000 FTEs were hired, while about 1,800 left the company. The rest of the growth came from minor acquisitions made at the end of 2007, for which the FTE figures were included as from 2008.

At the end of the first quarter of 2008, 37 % of the workforce was based outside the Benelux countries.

Banking

Key figures

	Three Month Period Ended March 31, 2008	2007	Change
	(unaudited) (EUR million, except ratios and employees)		
Total income	3,215	2,743	17%
Total expenses	1,727	(1,677)	2%
Change in impairments	(448)	(26)	–
Profit before taxation	1,040	1,040	0%
Net profit for the period	725	908	(20)%
Net profit attributable to minority interest	4	5	(20)%
Net profit attributable to shareholders	721	903	(20)%
Cost/income ratio	53.7%	61.1%	–
Operating leverage	14.2%	(2.1)%	–
No. of FTEs	47,219	46,861(2)	1%
Credit loss ratio (basis points)(1)	68	5	–
Basel I			
RWCs – End of period (in EUR million)	284,010	270,207(2)	5%
Credit RWCs	257,489	249,280(2)	3%
Market RWCs	26,521	20,927	27%
Basel II			
RWCs – End of period (in EUR million)	253,145	–	–
Credit RWCs	225,860	–	–
Market RWCs	13,270	–	–
Operational risk	14,015	0	–
Tier 1 ratio	9.3%	9.5%(2)	–
Funds under management (in EUR million)	198.8	207.8(2)	(4)%
Inflow/Outflow	1.8	13.9(2)	(87)%

(1) As a % of average Credit Risk-Weighted Commitments.

(2) Refers to full year.

Banking net profit for the first quarter 2008 was EUR 721 million, down 20% on the same period last year. Higher income was more than offset by additional impairments and higher tax charges.

First quarter 2008 total income amounted to EUR 3,215 million, up 17% on the first quarter 2007. This sharp rise was essentially driven by high treasury and financial markets results and a resilient commercial performance despite challenging financial market conditions. Excluding ABN AMRO-related financing costs, net interest income grew 6% while commissions and fees remained flat, due to the negative impact of the equity markets downturn on assets under management.

Commercial activity remained solid in the first quarter of 2008, resulting in 2% underlying growth in loans. Total deposits were up 5%. The first quarter 2008 also saw continued intake at Private Banking and Asset Management.

The cost containment measures announced earlier this year started to deliver results. In the first quarter 2008 excluding ABN AMRO-related integration costs (EUR 45 million) and some one-offs, expense growth remained limited to 3% year-on-year. The cost/income ratio of 53.7% for the first quarter 2008 was 7.4 percentage points lower than the first quarter of 2007.

The acquired activities of ABN AMRO contributed EUR 84 million to net profit in the first quarter of 2008, after purchase accounting. The net impact for Fortis Bank, including financing (EUR 108 million post-tax) and integration costs (EUR 33 million post- tax), came to EUR 57 million negative. In addition, EUR 28 million post-tax of financing costs were recorded in General. The total impact of ABN AMRO therefore, including financing and integration costs, and after purchase accounting, on the net profit of Fortis was EUR 85 million negative.

Net interest income on interest-margin products amounted to EUR 1,250 million, a 5% decrease on the same quarter last year. This decline reflects the impact of the ABN AMRO financing costs in the amount of EUR 138 million pre-tax. Excluding this factor, underlying growth was 6%. Solid customer-related volume growth in loans and deposits contributed positively, and margins improved in some areas of Retail & Merchant Banking.

The increase at Retail Banking was driven by strong volume growth. Net interest income rose 5% for the first quarter of 2008 compared to the same quarter of 2007 due to improving margins in the Benelux home markets and growing volumes at high margins in growth engines, such as Turkey. At Merchant Banking, stronger volumes and higher interest rates in specific business lines, such as Corporate Banking, were partially offset by increased funding costs.

Excluding the impact of ABN AMRO financing the duration remained at 5.3 years. This is unchanged compared to the end of 2007 as mismatch opportunities remain limited due to the flat yield curve. Including ABN AMRO financing, the average duration in the first quarter of 2008 came in at 4 years.

Credit risk-weighted commitments calculated according to Basel I amounted to EUR 257 billion, up 3% on the year-end 2007 level. This increase was mainly fuelled by underlying loan volume growth at Merchant Banking. At EUR 27 billion, market risk-weighted commitments increased 27% due primarily to EUR 3.1 billion repurchase agreements with Fortis Insurance and higher market volatility. Total risk-weighted commitments amounted to EUR 284 billion, 5% above the previous quarter's level. Yearly growth of risk-weighted commitments is expected to remain limited to a maximum of 10%.

Funds under management decreased from EUR 208 billion to EUR 199 billion, down 4% on year-end 2007. Net inflow of EUR 1.8 billion in the first quarter failed to compensate for the negative impact of equity markets.

At EUR 723 million, net commissions and fees remained virtually flat in the first quarter 2008 compared with the same quarter of last year, despite difficult financial market conditions. Higher net commissions and fees earned on securities brokerage, on custody and on insurance products compensated for lower fee income on assets under management, on corporate finance and other banking services.

Capital gains on the investment portfolio amounted to EUR 181 million in the first quarter of 2008, 5% lower compared with the same period in 2007. The equity exposure was reduced in the first quarter of 2008, causing realized losses, though these were offset by capital gains on bonds.

At EUR 826 million, treasury and financial markets results more than doubled in first quarter 2008 from their level in the first quarter of 2007. Adjusted for grossing up, which was a negative EUR 116 million due to non-deductible losses on equities, income from treasury and financial markets activities amounted to EUR 709 million for first quarter 2008. This was a sharp increase (65%) on the grossed-up EUR 430 million recorded in the first quarter of 2007. These results can be broken down into trading and non-trading activities.

Non-trading revenues (mainly Private Equity, Global Securities & Financing Group and Credit Hedging) ended the first quarter at EUR 411 million, up EUR 252 million over the first quarter 2007, mainly driven by a EUR 210 million positive contribution of the credit portfolio hedge.

- Private Equity contribution was nil compared with EUR 49 million in the first quarter of 2007, which benefited from exits and revaluations. Valuation remained flat over the first quarter despite the challenging market environment.

- GSFG (Global Securities & Financing Group) recorded EUR 54 million in revenues in the first quarter 2008, up 16% over first quarter 2007 despite less favorable market conditions. This highly seasonal client-driven business entails very limited credit and market risks.

- The Credit Portfolio Management unit recorded a positive revaluation of EUR 210 million in the first quarter 2008, benefiting from widening credit spreads. A EUR 24 million negative revaluation was recorded in the first quarter of 2007. The Credit Portfolio Management team converted the entire hedging portfolio into single-name credit default swaps in the last quarter of 2007. They now cover a EUR 13 billion total notional amount, distributed between counterparties that are all highly rated European and US investment banks. This portfolio is managed actively with the aim of reducing volatility in net revenues.

- An increase of EUR 35 million in income at Other Banking reflects strong ALM results, which benefited from movements in the yield curve and interest rate volatility on derivatives.

Trading revenues (adjusted for grossing up) amounted to EUR 298 million, up 10% due to the excellent performance of equities, money markets and fixed income activities in the first quarter of 2008. This performance was well above the average quarterly floor. Although Global Markets had to bear higher funding costs, it benefited from highly volatile money markets and sharply lower equity markets. The Global Forex and Rates Group also benefited from spread adjustments and a flight into quality in credits and fixed income markets, combined with large customer flows on interest rate derivatives. This performance was brought down somewhat by the negative contribution of the Capital Markets and Energy Trading Groups, which remained weak due to difficult market conditions and sluggish commercial activity.

The global trading performance should be seen in the light of an average daily Value at Risk (VAR) which remained moderate throughout the first quarter 2008. It stood at EUR 38 million on average, up slightly on the EUR 30 million average for full year 2007, due mainly to the increased market volatility.

The change in provisions for impairments increased to EUR 448 million in the first quarter 2008 from EUR 26 million in the first quarter of 2007. In the first quarter 2008, an additional impairment of EUR 366 million was taken on the structured credit portfolio. Two-thirds was related to additional impairments on the Super Senior CDO portfolio with subprime exposure. The remainder was primarily related to impairments on warehouse positions and to a lesser extent on HELOC's wrapped by downgraded monoline insurers and RMBS. Total coverage ratio currently stands at 3% of the subprime RMBS portfolio, 48% of the High Grade super senior CDO tranches and 63% of the Mezzanine super senior CDO tranches. All tranches ranked lower than super senior were fully impaired last year. With respect to the loan book, specific provisions remained very limited.

The credit loss ratio (calculated as a percentage of average credit risk-weighted commitments) came in at 68 basis points. Excluding the impairments on the structured credit portfolio, the overall credit loss ratio stood at 12 basis points reflecting strong overall credit quality. This is well below the cross-cycle credit loss ratio of around 25 basis points.

Total expenses increased 3% to EUR 1,727 million in the first quarter of 2008 compared with the same quarter of 2007. ABN AMRO integration costs (EUR 45 million) were offset by one-off positive elements in the first quarter of 2008. In addition, the first quarter of 2007 suffered from an exceptional provision at Fortis Hypotheek Bank. As a result, underlying expenses grew by 3%. Strong cost containment limited organic expense growth to 2%, while continued investments in growth engines drove up costs by 1%.

Staff expenses amounted to EUR 1,027 million in the first quarter 2008, rising by EUR 85 million or 9% compared to the same quarter last year. Excluding costs related to the ABN AMRO integration (EUR 33 million), underlying staff expenses increased by 6% or EUR 52 million. 2% of the rise in staff expenses was due to a rise in the number of FTEs in support of growth investments, while wage drift accounted for 4%. The positive impact of some one-offs helped to reduce staff expenses.

The total number of Banking FTEs was 47,219 at the end of first quarter 2008, up 4% (or 1,860 FTEs) on the same period last year. Hiring continued within the businesses and countries defined as growth engines, specifically to support the expansion of Consumer Finance, Turkey, Global Markets and Specialised Financial Services.

Other operating and administrative expenses decreased 5% to EUR 700 million in the first quarter of 2008 compared with the same quarter last year. Excluding EUR 12 million in costs related to the ABN

AMRO integration, underlying other expenses were 8% lower than in the same period in 2007 due to tight cost control. Scope changes and one-offs such as an exceptional provision at Fortis Hypotheek Bank in 2007 accounted for 6% of the reduction, while more selective expenditure on strategic investments represented another 1%. Underlying growth was almost flat, aided by lower communication and branding costs in the first quarter of the year.

The effective tax rate was higher in the first quarter of 2008 than it was in the comparable period last year. The specific tax treatment of trading results led to higher pre-tax results and higher taxes in the first quarter of 2008. At the same time, tax-exempt capital gains on equities helped to lower the tax rate in 2007, whereas in 2008 capital gains were realized on government bonds subject to taxation.

Retail banking

Key figures

	Three Month Period Ended March 31,		
	2008	**2007**	**Change**
	(unaudited) (EUR million, except percentages and employees)		
Total income	1,133	1,093	4%
Total expenses	(718)	(755)	(5)%
Net profit attributable to shareholders	270	259	4%
Cost/income ratio	63.4%	69.0%	–
Operating leverage	8.5%	(1.6)%	–
No. of FTEs	18,725	18,255[(1)]	3%

(1) Refers to full year.

Net profit at Retail Banking was EUR 270 million in first quarter 2008. Total income reached EUR 1,133 million in the first quarter 2008, up 4%, while total expenses were down 5% on the same quarter last year, primarily due to tight cost control measures.

Retail Banking net profit for the first quarter of 2008 increased by 4% to EUR 270 million compared with EUR 259 million for the same period last year. Total income increased 4% to EUR 1,133 million, driven by higher net interest income and higher allocated ALM results. Total expenses were 5% lower at EUR 718 million in first quarter 2008 compared to EUR 755 million in first quarter 2007, as higher costs for investments were more than offset by cost reductions in Belgium and The Netherlands in marketing, consultancy and IT. The effective tax rate was 30% in the first quarter of 2008, up from 15% in the first quarter of 2007, as the ALM results in 2007 were attributable chiefly to tax-exempt realized capital gains.

The decision to move the retail activities of Fortis Banque France to Merchant Banking led to a change in reporting as of the second quarter of 2007. All figures below were adjusted for this change for reasons of comparability.

Total income increased by 7% year-on-year to EUR 1,133 million, mainly on an increase of 8% in net interest income and 19% in allocated ALM results. Net interest income rose to EUR 696 million in first quarter 2008, up EUR 51 million year-on-year or 8%, supported by positive developments in different geographies. Net commissions and fees remained stable at EUR 267 million in the first quarter 2008 compared with the same period last year.

Customer deposits rose by 2% year-on-year to EUR 92 billion. High short-term interest rates in 2007 drove customers' appetite for time deposits, resulting in an increase of EUR 3.8 billion year-on-year, part of which came from a shift of savings. Loans to customers rose to EUR 86 billion, up 10% year-on-year, driven mainly by a EUR 5 billion increase in residential mortgages, EUR 1.9 billion of which in Belgium and EUR 2.6 billion in The Netherlands.

Total expenses amounted to EUR 718 million in the first quarter 2008, down 1% on the previous year, as a steep drop in costs in Belgium and The Netherlands more than compensated for the cost growth related to continued investments in Turkey and Poland, and on the inclusion of Dominet.

Merchant banking

Key figures

	Three Month Period Ended March 31,		
	2008	**2007**	**Change**
	(unaudited) (EUR million, except percentages and employees)		
Total income	1,828	1,305	40%
Change in impairments	(404)	7	–
Total expenses	(738)	(698)	6%
Net profit attributable to shareholders	453	548	(17)%
Cost/income ratio	40.1%	52.4%	–
Operating leverage	33.5%	(9.9)%	–
No. of FTEs	14,295	14,393[1]	(1)%

(1) Refers to full year.

The decision to transfer the retail activities of Fortis Banque France to Merchant Banking in the second quarter 2007 led to a scope change that has impacted the year-on-year comparison. These activities contributed EUR 31 million to income and EUR 28 million to total expenses in the first quarter of 2008.

Net profit declined by 17% to EUR 453 million in the first quarter of 2008 compared to EUR 548 million in the first quarter of 2007, as impairments on the structured credit portfolio offset the strong performance underlying all Merchant Banking activities. Excluding these impairments, net profit was up 25% to EUR 682 million: the sharp increase in total income (43%) and controlled growth of total expenses (9%) were partly offset by a higher effective tax rate as the result of higher non-deductible losses on equities.

Total income was up 40% to EUR 1,828 million in the first quarter of 2008, buoyed by the strong performance of treasury and financial markets as well as higher net interest income and net commissions and fees. Net interest income increased 12% (or 9% excluding Retail Bank France) despite the appreciation of the euro and some exceptional items recorded in the first quarter of 2007. Net commissions and fees improved 7% on a comparable basis with particularly strong commissions and fees at Clearing, Funds and Custody on high volumes and at Global Trade Services.

Total expenses increased by 9% to EUR 738 million in the first quarter of 2008 compared to EUR 698 million (excluding Fortis Bank France) in the first quarter 2007. Adjusted for Retail Bank France, total expenses grew by a moderate 5% compared with the first quarter of 2007, of which 1% was linked to the integration of ABN AMRO. Staff expenses were up 12% (9% on the same basis) due to the strong FTE increase recorded mainly in the first half of 2007. Other direct expenses in the first quarter 2008 increased only by 6% due primarily to tight cost control and monitoring.

The effective tax rate at Merchant Banking was 34% in the first quarter of 2008, up from a low 11% in the first quarter of 2007. This was mainly the result of higher non-deductible losses on equities.

Private Banking & Asset Management

Key figures

	Three Month Period Ended March 31, 2008	2007	Change
	(unaudited) (EUR million, except percentages and employees)		
Total income	283	302	(6)%
Change in impairments	(4)	4	–
Total expenses	(220)	(186)	18%
Net profit attributable to shareholders	48	102	(54)%
Cost/income ratio	77.8%	61.1%	–
Operating leverage	(25.8)%	0.1%	–
No. of FTEs	2,834	2,900(1)	(2)%
Funds under management (in EUR billion)	205.6	215.2(1)	(4)%
Inflow/Outflow	2.6	12.4(1)	(79)%

(1) Refers to full year.

Net profit at Private Banking & Asset Management was EUR 48 million in the first quarter of 2008 compared to EUR 102 million in the first quarter of 2007. The net profit was impacted by EUR 19 million of restructuring costs taken at Fortis Investments, related to the integration process with ABN AMRO Asset Management, and several one-offs at Private Banking. Despite challenging market conditions, total net inflow in the first quarter 2008 amounted to EUR 2.6 billion.

Private Banking's first-quarter net profit was EUR 40 million, 48% lower year-on-year. The first quarter of 2007 was impacted by a capital gain, a new methodology for allocating indirect expenses and a release of impairments. Excluding these factors, net profit remained stable compared with the first quarter of 2007, reconfirming the strong business fundamentals. Strict cost control measures and new product launches helped compensate for the impact of the challenging market conditions. Funds under management declined from EUR 82.3 billion at year-end 2007 to EUR 78.7 billion at the end of the first quarter 2008, due to lower equity markets. Net inflow of EUR 1.1 billion in the first quarter of 2008 reconfirms the strong commercial momentum achieved in 2007.

Fortis Investments recorded net profit of EUR 12 million for the first quarter of 2008. This figure was impacted by the EUR 19 million (EUR 12 million after tax) restructuring provision related to the integration of ABN AMRO activities acquired in 2008. Excluding this factor, net profit was down 6% on the first quarter of 2007. The financial results were also negatively affected by difficult market conditions. Assets under management were EUR 126.9 billion at the end of March 2008, down 5% from EUR 132.9 billion at the end of December 2007, but 2% higher than at the end of March 2007 (EUR 124.7 billion). The decline in 2008 has been due to poor market conditions (down EUR 7.6 billion), which were partially offset by EUR 1.5 billion of net inflow into money market products.

Acquired ABN AMRO businesses

The acquired ABN AMRO businesses contributed EUR 84 million to the net profit attributable to the shareholders of Fortis as of March 31, 2008. The share of Fortis in the net assets of acquired ABN AMRO businesses as at March 31, 2008 was EUR 4,723 million (December 31, 2007: EUR 4,755 million). The income statement for the period January 1 to March 31, 2008 for the acquired ABN AMRO businesses and the shared assets part of Fortis is as follows:

	Three Month Period Ended March 31, 2008 (unaudited) (EUR million)
Net interest income	861
Net commissions and fees	496
Realized and unrealized gains and losses	143
Other income	(50)
Total income	1,450
Change in impairments	(88)
Net revenues	1,362
Staff expenses	(478)
Depreciation and amortisation	(215)
Other expenses	(509)
Total expenses	(1,202)
Profit before taxation	160
Income tax expenses	(68)
Net profit for the period	92
Net profit attributable to minority interests	8
Net profit attributable to shareholders	84

The following table provides further information on the total assets and liabilities of the acquired ABN AMRO businesses and the shared assets part of Fortis at March 31, 2008:

	At March 31, 2008	At December 31, 2007
	(unaudited) (EUR million)	
Total assets	165,056	164,118
Total liabilities	160,219	159,263
Total net assets	4,837	4,855
Minority interests	114	100
Total net assets attributable to shareholders	4,723	4,755

The net assets evolution between October 17, 2007 and March 31, 2008 is explained by the following elements:

Net assets arising on the opening balance (October 17, 2007)	4,599
Result of the year (76 day period)	179
Unrealized gains and losses (net)	(23)
Currency translation differences	(11)
Other changes in equity	11
Net assets at December 31, 2007	4,755
Result of the period	84
Unrealized gains and losses (net)	(116)
Currency translation differences	(10)
Other changes in equity	10
Net assets at March 31, 2008	4,723

Insurance

Key figures

	Three Month Period Ended March 31,		
	2008	2007	Change
	(unaudited) (EUR million, except percentages and employees)		
Net profit attributable to shareholders	219	352	(38)%
Life	161	271	(40)%
Non-Life	58	81	(28)%
Other	0	0	(57)%
Operating leverage[(1)]	(16.1)%	(3.8)%	–
No. of FTEs	15,131	14,967[(2)]	1%
Life			
Gross written premiums	3,157	3,003	5%
Investment contracts without dpf	884	851	4%
Gross inflow Life	4,041	3,853	5%
Technical result	(12)	159	–
Operating margin	88	206	(57)%
Non-Life			
Gross written premiums Non-Life	1,856	1,799	3%
Technical result	107	71	51%
Operating margin	103	79	29%
Combined ratio	96.7%	101.1%	–

(1) Excluding CaiFor.

(2) Refers to full year.

Fortis Insurance continued to build on strong commercial momentum in the first three months of 2008, driven by the further implementation of the Fortify strategy and focus on cost control.

The impact of the turmoil in global capital markets more than offset the good results produced by the solid business performance at both Life and Non-Life and the higher capital gains triggered by portfolio protection techniques (CPPI) that led to lower exposure to equities. Net profit decreased in the first quarter 2008 compared to the first quarter 2007 to EUR 219 million from EUR 352 million, while the negative effect from the credit market in the first quarter 2008 on net profit was EUR 149 million (pre-tax impact of EUR 209 million).

Net profit at Life fell by 40% to EUR 161 million, despite higher volumes. The Non-Life result was down by 28% to EUR 58 million, while underlying profitability remained strong, with a combined ratio of 96.7%.

Fortis Insurance's marketing efforts continued to drive total gross inflow, which reached EUR 5.9 billion in the first three months of 2008, up 4% on the first quarter 2007, despite challenging market circumstances in 2008 and strong growth in the first quarter 2007. Life grew by 5% to EUR 4.0 billion, due to robust growth at the International Division (34%) and in The Netherlands (19%), which more than offset the differences in the timing of marketing bancassurance campaigns in Belgium. Annualised premium equivalent (APE) advanced 18% to EUR 403 million in the first quarter 2008, proving the strong business momentum. Non-Life gross written premiums, driven by product innovation across all countries, increased by 3% to EUR 1.9 billion, while maintaining healthy margins.

The focus on tight cost control in all countries, supported by various efficiency programmes, is demonstrated by the low year-on-year cost growth of 2%. This relates mostly to the inclusion of FICA, the Hong Kong based insurance activity, which was consolidated as from the second quarter 2007.

Fortify strategy

Fortis Insurance's Fortify strategy aims to create revenue synergies by applying the principle 'optimise locally by sharing globally', i.e., share proven skills across borders and across businesses. The goal is to continuously focus attention on the client by adapting the product portfolio and aligning the multi-distribution strategy to changing customer needs. Other goals are to improve operational excellence in all countries and to expand internationally. Implementation of the Fortify strategy is well on track.

Examples of extended multi-channel distribution are the VIP concept in Belgium that aims to exploit the cross-sell opportunities between the bank and the broker channel, the start-up of 'Ditzo', the Dutch direct distribution channel, which increased its product portfolio in the first quarter 2008, and the new P&C broker channel targeting the SME market, launched by Millenniumbcp in Portugal. Fortis Turkey has started to diversify its distribution by entering the agency channel.

Fortis Insurance Belgium continues to create new packaged products. These successful product-market innovations have contributed to further gains in market share. Other European initiatives have been taken by Fortis Luxembourg, which has started selling insurance under the 'freedom of services' principle in Germany, Spain and Switzerland, and by Fortis UK, which has launched an aggregator (insurance comparison website) with an affinity approach to its customers.

The focus on operational excellence (lean program) is ongoing. This program aims to improve internal processes in order to service customers better and at lower cost. Several programs have been started and/or implemented at Fortis Insurance, thus improving cost efficiency.

International expansion has continued. In India, IDBI Fortis, the Life insurance joint venture with Industrial and Development Bank of India (IDBI) and Federal Bank, commenced operations in March 2008. In Malaysia, Mayban Fortis announced that it would pursue the proposed acquisition of a 60% stake in PT Anugrah Life Insurance of Indonesia in order to be able to tap the Indonesian bancassurance market.

Dutch funeral insurer Ardanta has started selling policies in Belgium via direct mail and the website of Fortis Bank Belgium, bringing its specific expertise to the Belgium market.

Life

The first quarter 2008 was affected by developments in global capital markets, which put pressure on the sales of unit-linked and other products. Fortis Insurance, due to its diverse product portfolio, was able to grow gross inflow to EUR 4,041 million, up 5% on the strong first quarter 2007. Life gross inflow in Belgium lagged with inflow 17% below the strong performance of the first quarter last year. Inflow in The Netherlands increased by 19% compared with 2007, driven by pension-related activities. Growth of 34% at International was mainly attributable to Portugal, which benefited from the upgraded product offering.

Life technical result was a negative EUR 12 million, largely due to the turmoil in global credit markets, which depressed technical result by EUR 155 million, while also negatively impacted by equity markets.

For the same reason, net profit decreased to EUR 161 million in the first quarter 2008 from EUR 271 million in the first quarter of 2007. The pre-tax technical and non-technical impact of the global credit markets totalled a negative EUR 191 million.

Non-Life

Gross written premiums advanced 3% to EUR 1.9 billion in the first quarter 2008, while the focus on profitability was maintained in all countries. Belgium posted a very sound 7% increase, mainly in the SME market, supported by a comprehensive basic product offering combined with continuous product innovation. In The Netherlands, primarily Accident & Health contributed to the 9% growth and further strengthened its leading market position by entering the newly privatised long-term disability market. International decreased 7%, mainly due to the focus on profitable growth in the UK, but was also affected by the depreciation of the pound sterling against the euro.

Technical result improved substantially, rising by 50% to EUR 107 million in the first quarter 2008, sustained by an excellent combined ratio of 96.7%. It was up from EUR 71 million in the first quarter 2007, which was impacted by Windstorm Kyrill (depressing the technical result in 2007 by EUR 86 million). Without Windstorm Kyrill, the first quarter of 2007 showed a strong performance with a combined ratio at 95.7%. The negative impact of the global credit markets was EUR 5 million in the first quarter of 2008.

Net profit, depressed by lower capital gains and higher taxes, was EUR 58 million, down by 28% on a year-on-year basis. On a pre-tax basis, the technical and non-technical impact of global credit markets was a negative EUR 18 million.

Insurance Belgium

Key figures

	Three Month Period Ended March 31,		
	2008	**2007**	**Change**
	(unaudited) (EUR million, except ratios and employees)		
Net profit attributable to shareholders	119	137	(13)%
Gross inflow Life	1,531	1,851	(17)%
Gross written premiums Non-Life	430	402	7%
Combined ratio	102.4%	111.6%	–
Operating leverage	1.1%	(14.4)%	–
No. of FTEs	5,359	5,298(1)	1%

(1) Refers to full year.

First quarter 2008 net profit at Fortis Insurance Belgium reached EUR 119 million, compared with EUR 137 million last year. It suffered as a result of the ongoing turmoil in the global credit and capital markets, while 2007 was depressed by Windstorm Kyrill (EUR 30 million post-tax). The post-tax credit market effect on net profit was EUR 51 million (pre-tax effect of EUR 77 million) and experienced in Life only. Positive factors were high tax-exempt capital gains triggered by portfolio protection techniques, volume effects at Life insurance, and continued sound underwriting margins. These positive factors were unable to fully compensate for the impact of the turbulence in the financial markets.

Total gross inflow was EUR 1,961 million in the first three months of 2008, 13% lower than last year. Life inflow decreased by 17%. In 2007, unlike in 2008, marketing campaigns were concentrated in the first half of the year, generating record inflow at the start of the year. Furthermore, first quarter 2008 inflow was negatively impacted by the ongoing turbulence in the stock markets, which reduced the appetite for unit-linked products. Gross written premiums at Non-Life increased by 7%, due mainly to the proven business model, i.e. a strong basic product offering, combined with excellent service and effective broker incentives.

Tight cost control and the ongoing quest for efficiency gains kept operating costs flat, only 1% higher in the first quarter 2008 than last year. As part of the Fortify 'Operational Excellence' lever, Fortis Insurance Belgium will implement *lean management* in all its back-offices by 2011.

Insurance Netherlands

Key figures

	Three Month Period Ended March 31,		
	2008	2007	Change
	(unaudited) (EUR million, except ratios and employees)		
Net profit attributable to shareholders	68	166	(59)%
Gross inflow Life	1,408	1,181	19%
Gross written premiums Non-Life	864	791	9%
Combined ratio	89.5%	93.1%	–
Operating leverage	(30.9)%	14.4%	–
No. of FTEs	4,651	4,626[1]	1%

(1) Refers to full year.

Net profit at Fortis Insurance Netherlands dropped from EUR 166 million in 2007 to EUR 68 million in 2008. The dip at both Life and Non-Life was caused mainly by the turmoil in global capital markets, of which the credit markets influenced net profit by a negative EUR 94 million (pre-tax EUR 126 million). Excluding these impacts, the Life technical result was stable and net profit was up due to higher capital gains. Non-Life delivered a stable performance, illustrated by improvements in the cost and claims ratios, while market conditions remained challenging. Non-Life net profit decreased due to lower capital gains.

Gross inflow increased by 15% to EUR 2,272 million in the first quarter 2008 based on strong commercial activities and supported by high service levels that were acknowledged by several independent market surveys last year. Individual and Group Life grew in total by 19% to EUR 1,408 million in the first quarter 2008. Gross written premiums were up by 9% to EUR 864 million in the first quarter 2008 at Non-Life, growth at Accident & Health being the main contributor.

Operating costs remained flat at EUR 135 million in the first quarter 2008 (up 1%) as a result of cost savings, while investment was made in processes, IT infrastructure and multi-channel distribution. A further rollout of the operational excellence programme (lean programme) also contributed to cost control. Selective hiring as part of tight cost management resulted in a marginal increase in the number of FTEs compared with the end of 2007.

Insurance International

Key figures

	Three Month Period Ended March 31, 2008	2007	Change
	(unaudited) (EUR million, except percentages and employees)		
Net profit attributable to shareholders	32	49	(34)%
Gross inflow Life	1,101	821	34%
Gross written premiums Non-Life	562	606	(7)%
Combined ratio	100.8%	102.2%	–
Operating leverage[1]	(5.7)%	(18.3)%	–
No. of FTEs	5,121	5,043[2]	2%

(1) Excluding CaiFor.

(2) Refers to full year.

The net profit of Fortis Insurance International for the first quarter 2008 at EUR 32 million was lower than for the first quarter 2007. This was mainly due to the loss of profits related to the Spanish activities (CaiFor joint venture) that were sold at the end of 2007, which affected both Life and Non-Life results. The impact of the credit market turmoil on net profit was a negative EUR 4 million (EUR 6 million on a pre-tax basis).

Gross inflow at consolidated companies increased 17% to EUR 1,663 million in the first quarter 2008 from EUR 1,427 million for the first quarter 2007, driven by new product developments, especially in Portugal, and the rollout of multi-channel distribution in several countries in Europe and Asia. The inclusion of FICA (consolidated as from the second quarter of 2007) supported the growth. Gross inflow at non-consolidated joint ventures (on a 100% basis) increased by 30% to EUR 887 million for the first quarter 2008, driven by growth in China and Thailand.

Operating costs increased by 4% to EUR 104 million in the first quarter 2008. On a comparable basis (excluding FICA in the first quarter 2008) operating costs decreased by 3% owing to tight cost management.

Comparison of financial information of 2007 versus 2006 and 2006 versus 2005

In connection with the reorganization in 2007, Fortis restated its financial information for the year ended December 31, 2006 but not for the year ended December 31, 2005. The reorganization only affected the presentation of financial information of the Banking business sub-segments and not the presentation of financial information for the Insurance business segments.

Therefore, the discussion of the results of operations of the Banking business segments for the years ended December 31, 2007 and 2006 are presented on the basis of the organizational structure at January 1, 2007. This discussion is followed by the discussion of the results of operations for the years ended December 31, 2006 and 2005, which are presented on the basis of the organizational structure prior to January 1, 2007. Fortis has not prepared any financial data that quantifies the changes between the banking segments following the 2007 reorganization. However, while the segments have been restructured for management purposes, the reorganization does not impact the discussion of trends and developments in the business segments.

The main difference between the 2007/2006 presentation and the 2006/2005 presentation are as follows:

- Retail Banking was from January 1, 2007 split into Retail Banking Network and Retail Banking Asset Management.

- Merchant and Private Banking as reorganized in 2007 combined the activities of Merchant Banking and Commercial Banking into one business unit, although the respective activities were split between Merchant and Private Banking Clients and Merchant & Private Banking Skills.

The discussion of the results of operation of the Insurance business segments for the years ended December 31, 2007, 2006 and 2005 are presented on the basis of the same organizational structure and are comparable except for changes as described under "—Change in the Composition of Fortis and Comparability of Results."

Consolidated Results of Operations for Years Ended December 31, 2007, 2006 and 2005

Certain summary consolidated income statement information for the years ended December 31, 2007, 2006 and 2005 is set forth below.

	Year Ended December 31,		
	2007	**2006**	**2005**
	(EUR million, except % and per share data)		
Net profit before results on divestments			
— Banking	1,768	3,149	2,434
— Insurance	1,587	1,420	1,225
— General (including eliminations)	(308)	(218)	(161)
Total	3,047	4,351	3,498
Results on divestments			
— Assurant (General)	—	—	443
— CaiFor (Insurance)	947	—	—
Total	947	—	443
Net profit	3,994	4,351	3,941
Basic EPS (in EUR)	2.30	2.83	2.57
— Before net gain on discontinued operations	1.72	2.79	2.33
Net equity per share	15.08	15.98	14.75
Return on equity (in %)(1)	17.1%	21.7%	23.0%

(1) Based on the average capital (five last quarters) and results of the last four quarters.

Consolidated Results of Operations — 2007 Compared to 2006

Total net profit before results on divestments decreased by 30% to EUR 3,047 million in 2007 from EUR 4,351 million in 2006. The decrease was due to the decline in Banking, principally attributable to impairments taken on our super senior CDO subprime portfolio, offset in part by improved results in Insurance, while General reported increased losses. Total net profit for 2007 declined 8% compared to 2006, with 2007 benefiting from the divestment of CaiFor resulting in a gain of EUR 947 million, reducing further the impact of the impairments.

Banking net profit before results on divestment was EUR 1,768 million in 2007, a substantial decline of 44% or EUR 1,382 million compared with EUR 3,149 million in 2006. The level of impairments was due, in part, to Fortis applying a prudent approach to impairments, using stringent assumptions on the super senior CDO exposure. The impact on net profit of these impairments amounted to EUR 1,500 million (EUR 2,400 million pre-tax). Total banking revenues rose by 10% to EUR 11,311 million in 2007 compared to EUR 10,324 million in 2006 due to the rise in net interest income and net commissions and fees, as well as other capital gains and the contributions of the acquired ABN AMRO Businesses for 76 days, which was accounted for on an equity basis. Expenses increased by 12% to EUR 7,053 million in 2007 compared to EUR 6,315 million in 2006 due to business developments at Merchant & Private Banking, Retail Banking and Asset Management, underlying expense growth and costs relating to the integration of the ABN AMRO Businesses. In addition to the significant impairment charges, Banking net profit before results on divestments was also impacted by higher income tax expense (EUR 359 million in 2007) compared to a tax benefit in 2006 (EUR 692 million).

Insurance net profit before results on divestment for 2007 increased by 13% to EUR 1,587 million, with Life advancing 36% to EUR 1,223 million (EUR 909 million in 2006) , Non-Life decreasing 25% to EUR 368 million in 2007 (EUR 491 million in 2006) and Other insurance to EUR 6 million negative. The increase in Life was due to strong commercial growth, capital gains and a lower effective tax rate. The effects of Windstorm Kyrill and floods in the United Kingdom (EUR 213 million pre-tax) and, to a lesser extent, of global capital markets (EUR 36 million) decreased the technical results in Non-Life by 44% to EUR 319 million in 2007 from EUR 573 million in 2006.

The General segment registered a negative contribution to net profit attributable to shareholders in 2007 of EUR 308 million in 2007 compared to a negative contribution of EUR 218 million in 2006, a 41% increase. The increased losses in 2007 were attributable to the EUR 89 million elimination of part of the realized capital gains on ABN AMRO shares, lower favorable fair-value changes of the mandatory exchangeable bond ("**MEB**") convertible into Assurant shares, the absence of the EUR 83 million surrender penalties that contributed positively to the 2006 results, and increased financing charges. The 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 MEB convertible into Assurant shares (EUR 52 million in 2006), and higher costs related to the promotion of the Fortis brand.

In 2007, the net underlying profit of the acquired ABN AMRO Businesses, excluding certain one-off charges and integration costs, increased 17% to EUR 1, 355 million in 2007 from EUR 1,158 million in 2006. The increase was attributable to the strong commercial performance of the ABN AMRO Businesses despite volatile market conditions at the end of 2007 and uncertainty during the acquisition process. The ABN AMRO Businesses, Retail and Commercial/Corporate Netherlands, Private Clients and Asset Management, had net profit of EUR 854 million, EUR 307 million and EUR 194 million respectively. Fortis's share of the net profit of the acquired ABN AMRO Businesses was EUR 179 million. Total announced synergies of EUR 1,300 million are still expected as previously announced, with a full impact as from 2010. Total estimated integration costs are in line with the original calculation of approximately 1,500 million.

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 worldwide 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.

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,			2007 vs. 2006	2006 vs. 2005
	2007	2006	2005	Change	Change
		(EUR million)			
Income statement					
Net interest income	5,267	5,086	4,653	4%	9%
Net commissions and fees	3,065	2,764	2,290	11%	21%
Realized capital gains (losses)	881	576	712	53%	(19)%
(Un)realized gains (losses)	1,278	1,339	805	(5)	66%
Dividend and other investment income	508	287	259	77%	11%
Other income	312	272	272	15%	0%
Total revenues	11,311	10,324	8,991	10%	15%
Change in provisions for impairment	(2,835)	(158)	(209)	—	(24)%
Net revenues	8,476	10,166	8,782	(17)%	16%
Staff expenses	(4,026)	(3,625)	(3,370)	11%	8%
Other operating and administrative expenses	(3,027)	(2,690)	(2,233)	13%	20%
Total expenses	(7,053)	(6,315)	(5,603)	12%	13%
Profit before income tax	1,423	3,851	3,179	(63)%	21%
Income tax	359	(692)	(734)	—	(6)%
Net profit before minority interests	1,782	3,159	2,245	(44)%	29%
Minority interests	14	10	11	(41)%	(9)%
Net profit	1,768	3,149	2,434	(44)%	29%
Results on divestments	—	—	—	—	—
Net profit before results on divestments	1,768	3,149	2,434	(44)%	29%

Banking Key Performance Indicators

	Year Ended December 31,			2007 vs. 2006 Change	2006 vs. 2005 Change
	2007	2006	2005		
		(EUR million)			
Cost/Income ratio (%)	62.4%	61.2%	62.3%	—	—
Operating leverage[1]	(2.1)%	2.1%	28.7%	—	—
Credit Risk Weighted Commitments (“**RWCs**”)					
(EUR million)	249,280	221,633	198,241	12%	12%
— Credit loss ratio (basis points)[2]	116	7	10	—	—
Credit Quality (EUR million)					
— Total loans to customers	317,303	288,078	280,233	10%	3%
— Impaired outstandings	5,476	5,937	–	(8)%	–
As a % of total loans to customers	1.7%	2.0%	–	–	–

(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,		
	2007	2006	2005
		(unaudited) (EUR million)	
Accounting based			
Net interest income	5,267	5,086	4,653
Realized capital gains (losses) on investments	881	576	712
Other (un)realized gains/losses	1,278	1,339	805
Total	7,426	7,001	6,170
Activity based[1]			
Net interest income on interest margin products[2]	5,241	5,087	4,574
Capital gains not linked to financial markets activity	806	530	496
Treasury and financial markets	1,379	1,384	1,100
Total	7,426	7,001	6,170

(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).

2007 Compared to 2006

Total revenues. Total revenues for 2007 increased 10% to EUR 11,311 million from EUR 10,324 million in 2006, with more than half the increase due to the rise in net interest income and net commissions and fees with the remainder due to capital gains and the contribution of the ABN AMRO Businesses. Treasury and financial markets results were only slightly lower than last year despite the turmoil on the global capital markets, demonstrating the resilience of these activities due to their diversified nature. This income remained above its cycle-neutral run-rate. Higher capital gains related primarily to the financing of the ABN AMRO acquisition.

The increase in total revenues in 2007 was impacted by certain one-time events and scope changes in 2006 and 2007. Underlying growth stood at 10%. This reflects a strong performance in what was a difficult financial market environment.

Commercial activity remained strong throughout 2007, resulting in 16% underlying growth in lending, a 5% increase in deposits and a 9% rise in funds under management. Credit risk-weighted commitments amounted to EUR 249,280 million in 2007, a 12% increase from EUR 221,633 million in 2006, due to sharp growth at Merchant & Private Banking.

Underlying total revenue growth was well balanced across all major revenue lines, with almost half of the increase coming from higher net interest income and net commissions and fees, providing a stable and recurring revenue base. In addition, approximately 75% of the underlying growth in net interest income and net commissions and fees was generated by activities earmarked as growth engines.

Net interest income on interest-margin products (activity based) amounted to EUR 5,241 million in 2007, a 3% increase from EUR 5,086 million in 2006. Underlying growth would have been 7% when excluding ABN AMRO financing costs (EUR 92 million), lower prepayment fees on mortgages (EUR 75 million) as refinancings declined and the one-off correction at Fortis Hypotheek Bank (EUR 38 million). This rise was due to volume growth in loans and deposits and the release of provisions for interest reserves, which offset margin pressure resulting from competition and the impact of a flatter yield curve.

Double-digit growth rates in net interest income were recorded at Commercial Banking, Corporate, Institutional & Public Banking, Energy, Commodities & Transportation. This partly offset the slight decrease at deposit-taking businesses like Retail Banking Belgium. Growth of 22% at Merchant & Private Banking and a 3% rise at Retail Banking (both adjusted for the transfer of the retail activities of Fortis Banque France), offset the decline in ALM results at Other Banking.

Funds under management increased from EUR 191 billion in 2006 to EUR 208 billion in 2007, a 9% increase. Net inflow continued to grow sharply despite adverse market conditions in the third and fourth quarters of 2007, reaching EUR 13.9 billion, with Asset Management contributing about 69% to this growth.

Net commissions and fees rose significantly in 2007, increasing 11% to EUR 3,065 million in 2007 from EUR 2,764 million in 2006. The increase was mainly attributable to higher funds under management, as well as to commissions and fees (EUR 46 million) relating to the acquisition and financing of ABN AMRO activities (partly offset by group companies for EUR 19 million). The increase in net commissions and fees from the growth in funds under management was driven by a substantially higher fee base and strong net inflow at Asset Management and Private Banking. Cross-selling across Banking and Insurance accounted for 16% of the total rise in net commissions and fees, mainly on the distribution of insurance products through the banking network. The remainder of the increase (about one-third) came primarily from higher fees earned on securities brokerage, credit card commissions and payment transactions.

Capital gains on the investment portfolio (activity based) amounted to EUR 806 million in 2007, a 52% increase from EUR 530 million in 2006. Growth was achieved on the sale of a number of non-strategic equity holdings (including Banco Comercial Português, Kasbank and ICBC Asia) during the second, third and fourth quarters of 2007, in connection with the financing of the acquisition of ABN AMRO activities.

Treasury and financial markets remained stable in 2007, at EUR 1,379 million in 2007 compared with EUR 1,373 million in 2006, despite the global capital markets turmoil. Excluding one-offs such as the non-qualifying hedge and the penalty on an internal financing repayment, treasury and financial markets results improved 6% in 2007. Treasury and financial markets results consist of trading and non-trading income. Non-trading income was the primary factor in the treasury and financial market results, offsetting weaker trading results in a very difficult market environment.

Non-trading revenues (mainly at Private Equity, Global Securities & Financing Group, Credit Hedging and Other Banking) ended the year 38% higher at EUR 956 million compared to 2006, mainly due to the positive contribution of the credit portfolio hedge and the strong result at Other Banking.

- Private Equity recorded EUR 219 million in revenues in 2007, a 4% increase compared to 2006, benefiting from exits and revaluations in funds of funds.
- GSFG (Global Securities & Financing Group) contributed EUR 334 million, a 6% increase compared to 2006, despite higher commissions paid on new exclusivity rights contracts.
- The Credit Portfolio Management unit recorded a total positive revaluation of EUR 40 million in 2007. During the final quarter of 2007, the Credit Portfolio Management team converted the entire hedging portfolio into single-name credit default swap protections. They now cover a EUR 14 billion total notional amount, distributed over 136 reference counterparties that are exclusively highly rated European and American investment banks. This resulted in a EUR 6 billion relief in credit risk weighted commitments because of the conversion into single name credit default swaps.
- Treasury and financial markets income reported under Other Banking reflected strong results from non-linear derivative positions and prepayment fees on long-term deposits.

Trading revenues (adjusted for grossing-up) amounted to EUR 546 million in 2007, a decrease of 36% compared to 2006, mainly due to the impact of the US subprime market turmoil and resulting liquidity crisis. The revenue stream nonetheless benefited from diversification. This decline should be seen in the light of an average daily Value at Risk that remained moderate throughout 2007 ending at EUR 30 million. The weak performance of the Capital Markets Group, which suffered from negative revaluations in the structured credit business, was offset by good results at the Forex and Rates Group and Global Equities Group.

Profit before income tax. The 2007 credit loss ratio (expressed as a percentage of average credit risk-weighted commitments) was 116 basis points. Excluding the subprime super senior CDO-related impairments, the overall credit loss ratio was 5 basis points, reflecting strong overall credit quality. Adjusting for the change in IBNR methodology, the credit loss ratio was at 13 basis points, in line with earlier guidance and still well below the cross-cycle credit loss ratio of approximately 25 basis points.

Change in provisions for impairments reached EUR 2.8 billion in 2007 mainly due to the impairments on the US subprime related investments (EUR 2.7 billion). Fortis applied a prudent approach to impairments, using stringent assumptions on the super senior CDO portfolio with subprime exposure. An impairment of EUR 2.4 billion (after tax EUR 1.5 billion) was taken on this exposure in the fourth quarter of 2007. Additionally, an impairment of EUR 0.2 billion was recorded in 2007 on the below super senior tranches and some warehouse positions related to the origination activity. Finally, an impairment of EUR 0.1 billion was booked in the credit spread portfolio, bringing total subprime impairments taken to EUR 2.7 billion in 2007 (after tax EUR 1.7 billion). For a complete discussion, see "— Overview — Structural Credit Exposure."

Total expenses increased 12% to EUR 7,053 million in 2007 compared with EUR 6,315 million in 2006. Two-thirds of this growth was due to business developments at Merchant & Private Banking while the remainder was attributable to Retail Banking and Asset Management. Underlying expense growth was 10%, excluding costs relating to the ABN AMRO integration incurred in the fourth quarter, scope changes and one-offs. Various investments in growth accounted for 6%, while underlying cost growth was 4%. The cost/income ratio for 2007 was 62.4% compared to 61.2% in 2006.

Staff expenses amounted to EUR 4,026 million, an increase of EUR 401 million or 11% in 2007 compared with EUR 3,625 million in 2006. More than half of the increase was due to the rise in the number of FTEs in support of growth investments, while wage drift accounted for 3%. The consolidation of acquisitions, the integration of ABN AMRO (EUR 17 million) and some one-offs were responsible for the balance of the increase.

The total number of Banking FTEs reached 46,861 at the end of 2007, an increase of 8% or 3,286 FTEs compared with 43,575 FTEs in 2006. Almost one-third of the increase related to recent acquisitions, including Dominet and Cinergy. Excluding scope changes, the balance of hiring took place at the businesses and countries defined as growth engines, ultimately divided equally between Merchant & Private Banking and Retail Banking. More specifically, recruitments were made to support the expansion of Consumer Finance, Turkey, Global Markets, Specialised Financial Services, Clearing Funds & Custody and Services to Hedge Funds. Retail Banking in the Benelux countries enhanced efficiency, mainly in the support functions, resulting in a 2% decrease in the number of FTEs.

Other expenses increased 13% to EUR 3,027 million in 2007 compared to EUR 2,690 million in 2006. Strategic investments represent 7% of the increase and related mainly to upgrading of the technology infrastructure, expansion of the distribution networks in Germany, Turkey and Poland, and the expansion of Merchant & Private Banking in the US, UK and Asia. The remainder was due to underlying growth (3%) and to acquisitions, the ABN AMRO integration and one-time events (2%).

Taxation. Total Banking recognised a tax credit for 2007, as tax deductible losses in the US relating to Merchant & Private Banking's subprime exposure outweighed the tax expenses on Banking profit realised elsewhere. Excluding the subprime related tax credit in the US, the effective tax rate was at a low 16% in 2007 compared with 18% in 2006. The lower tax rate was due mainly to the mix of capital gains (largely tax exempt equity transactions), the reduced corporate tax rate in The Netherlands and the establishment of the Belgian treasury centre, whereas the structure of the treasury and financial markets results was less favourable in 2007.

Net profit before results on divestments. Full-year net profit was EUR 1,768 million, a 44% decrease from EUR 3,149 million in 2006. Fortis applied a prudent approach to impairments, using stringent assumptions on the super senior subprime CDO exposure. An impairment of EUR 2.4 billion (after tax EUR 1.5 billion) was taken on this exposure in the fourth quarter of 2007. Additionally, an impairment of EUR 0.2 billion was recorded in 2007 on the below super senior tranches and some warehouse positions related to the origination activity. Finally, an impairment of EUR 0.1 billion was booked in the credit spread portfolio, bringing total subprime impairments taken at the Bank to EUR 2.7 billion in 2007 (after tax EUR 1.7 billion).

The net contribution of the acquired activities of ABN AMRO after purchase accounting and the impact of the broken quarter amounted to EUR 179 million. Taking into account the negative impact on total income of EUR 100 million and integration costs of EUR 35 million, the net impact of the consolidation of acquired activities on the net profit of Fortis Bank was EUR 86 million.

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 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. Five percent 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 center in Belgium. The equity investment of the Treasury center 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.

Banking Balance Sheet

The table below shows information regarding Fortis's banking balance sheet at the dates indicated.

	Year Ended December 31,		
	2007	2006	2005
	(EUR million, except %)		
Due from banks	118,346	89,413	80,054
Due from customers			
Government and official institutions	5,343	5,313	7,781
Residential mortgage	95,445	89,322	80,098
Consumer loans	9,774	10,226	9,431
Commercial loans	138,696	110,650	93,646
Reverse repurchase agreements	28,186	37,649	61,074
Securities borrowing transactions	24,279	22,091	17,307
Other loans and impairments	13,578	10,626	8,525
Total due from customers	315,301	285,877	277,862
Investments	141,392	137,777	135,314
Other assets[1]	192,041	161,591	145,966
Total assets	767,080	674,658	639,196
Due to banks	192,141	177,161	174,780
Due to customers			
Demand deposits	87,191	76,127	73,477
Saving deposits	50,795	55,720	58,051
Time deposits	79,245	74,770	60,209
Other deposits	301	229	649
Total Deposits	217,532	206,846	192,386

	Year Ended December 31,		
	2007	2006	2005
	(EUR million, except %)		
Repurchase agreements	41,857	48,391	67,364
Securities lending	5,425	4,271	2,271
Other	2,350	548	1,264
Total due to customers	267,164	260,056	263,285
Other liabilities(2)	274,042	220,577	187,948
Total Liabilities	733,347	657,794	626,013
Shareholders' equity	33,304	16,666	12,975
Minority interests	429	198	208
Total equity	33,733	16,864	13,183
Total liabilities and equity	767,080	674,658	639,196
Risk-bearing capital(3)	27,231	26,664	22,210
Risk-weighted commitments(4)	270,207	240,105	212,095
Tier 1 ratio(5)	9.5%	7.1%	7.4%
Total capital ratio(5)	10.1%	11.1%	10.5%

(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 calculated in accordance with IFRS at December 31, 2007 and 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.

2007 Compared to 2006

Robust business growth was evidenced by a steady increase in both underlying loan volumes and deposits. Underlying loan volumes (excluding securities lending and reverse repurchase agreements) rose by 16% in 2007, with commercial loans advancing 25% and residential mortgages 7%. Total customer deposits were up 5% on the 2006 year-end level. Retail customers continued to shift funds away from saving deposits to time deposits, affecting the net margin.

Total assets. Total assets increased by 14% to EUR 767,080 million compared to year-end 2006 due to an increase in due from banks, due from customers and other assets.

Due from banks. Due from banks increased by 32% or EUR 29 billion in 2007 to EU 118 billion, primarily as a result of higher repurchase agreements (EUR 16 billion), higher securities borrowing transactions (EUR 3 billion), higher mandatory reserve deposits with central banks (EUR 4 billion) and higher interest-bearing deposits (EUR 3 billion).

Due from customers. Due to customers increased by 10% or EUR 29 billion to EUR 315 billion in 2007 (2006: EUR 286 billion) due to an increase in commercial loans of EUR 27 billion, residential mortgages of EUR 6 billion and other loans and impairments of EUR 3 billion, offset by a decrease in repurchase agreements of EUR 9 billion.

Due to banks. Due to banks increased by EUR 15 billion in 2007 to EUR 192 billion. This increase was due to an increase in deposits of EUR 5 billion, and increases of EUR 8 billion in repurchase agreements and EUR 8 billion in advances against collateral, offset by lower securities lending transactions of EUR 7 billion.

Due to customers. Due to customers increased by EUR 7 billion to EUR 267 billion in 2007 (2006: EUR 260 billion). The decrease in repurchase agreements of EUR 7 billion was fully offset by increases in deposits of EUR 11 billion. The increase was principally in demand deposits (EUR 87.2 billion in 2007 compared to EUR 76.1 billion in 2006) reflecting the shift away from savings deposits.

Risk weighted commitments. Credit risk-weighted commitments amounted to EUR 249 billion in 2007, a 12% increase from EUR 222 billion in 2006. This increase was driven by strong volume growth, particularly at Merchant & Private Banking. At EUR 21 billion in 2007, market risk-weighted commitments increased 13% from EUR 18 billion in 2006. Total risk-weighted commitments were EUR 270 billion in 2007, a 13% increase from EUR 240 billion in 2006. Credit risk-weighted commitments were strictly controlled during the second half of 2007 which resulted in a 3% decrease compared to their level at the end of the first half, notwithstanding the strong growth in commercial activity. Proactive measures were undertaken: undrawn credit commitments were reduced. In addition Merchant & Private Banking benefited from EUR 7 billion in relief provided by the conversion of its credit hedge portfolio into single-name credit default swap protections. Moreover, further impairments on CDO's also accounted for the reduction of credit risk-weighted commitments in the fourth quarter.

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.

Assets Under Management

The following table shows assets under management of Fortis at December 31, 2007, 2006 and 2005 by segment.

	Banking	Insurance	General (Incl. Eliminations)(1)	Total
		(EUR million)		
December 31, 2007				
Investments for own account:				
Debt securities	104,991	53,661	(330)	158,322
Equity securities	7,822	8,942	(1,259)	15,505
Real estate	688	2,984	(16)	3,656
Other	27,891	1,143	(237)	28,797
	141,392	66,730	(1,842)	206,280
Investments related to unit-linked contracts	–	31,395	(275)	31,120
Funds under Management:				
Debt securities	119,721	3,061	—	122,782
Equity securities	102,989	3,767	—	106,756
Real estate	587	2,989	—	3,576
Eliminations	(25,283)	—	—	(25,283)
	198,014	9,817	—	207,831
Total assets under management	339,406	107,942	(2,117)	445,231
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
Eliminations	(26,242)	—	—	(26,242)
	181,622	9,012	—	190,634
Total assets under management	319,399	102,226	192	421,817

	Banking	Insurance	General (Incl. Eliminations)[1]	Total
	(EUR million)			
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
Eliminations	(25,661)	—	—	(25,661)
	156,923	7,571	—	164,494
Total assets under management	292,237	91,269	(276)	383,230

(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.

2007 Compared to 2006

Funds under management increased from EUR 191 billion to EUR 208 billion, up 9% compared with year-end 2006. Net inflow continued to grow sharply despite adverse market conditions in the third and fourth quarters of 2007, reaching EUR 13.9 billion, with Asset Management contributing about 75% to this growth. For the year market gains contributed EUR 5.4 billion to finds under management despite the negative market impact of the last quarter of 2007. Net inflow also benefited from acquisitions in Asia in Asset Management.

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.

Funds Under Management by Roll Forward

The table below gives the roll forward of the Funds Under Management per segment from December 31, 2006 to December 31, 2007.

	Retail Banking	Merchant & Private Banking	Other[1]	Intercompany	Total
			(EUR million)		
Balance at December 31, 2006	128,106	79,246	9,524	(26,242)	190,634
In/out flow	9,564	2,740	434	1,178	13,916
Market gains / losses	2,649	2,687	240	(237)	5,339
Other[2]	–	(2,076)	–	18	(2,058)
Balance at December 31, 2007	140,319	82,597-	10,198	(25,283)	207,831

(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 2007 and 2006 can be allocated as follows by the average rate and volume effects:

	Year Ended December 31, 2007	2006
	(EUR million)	
Change due to changes in average rates	(1,828)	(2,038)
Change due to changes in average balances	2,105	2,274
Change due to other interest on balance	(96)	198
Change in total net interest income	181	434

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,		
	2007	2006	2005
Gross Yield(1):			
Retail banking	5.6%	5.4%	5.3%
Merchant banking	5.0%	5.2%	3.8%
Commercial & Private banking	5.9%	4.7%	4.2%
Other banking	4.5%	4.6%	4.6%
Total	5.7%	5.0%	4.2%
Interest Spread(2):			
Retail banking	3.1%	3.3%	3.4%
Merchant banking	0%	0.7%	0.5%
Commercial & Private banking	0%	2.1%	2.2%
Other banking	0%	0.6%	0.5%
Total	1.0%	1.2%	1.2%
Interest Margin(3):			
Total Banking	3.1%	1.1%	1.1%

(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,		2007 vs. 2006
	2007	2006	Change
	(EUR million)		
Income Statement			
Net interest income	2,687	2,675	0%
Net commissions and fees	1,533	1,362	13%
Realized capital gains (losses)	64	10	—
(Un)realized gains (losses)	60	45	33%
Dividend and other investment income	18	18	0%
Other income	502	670	(25)%
Total revenues	4,864	4,780	2%
Change in provisions for impairment	(151)	(150)	1%
Net revenues	4,713	4,630	2%
Staff expenses	(1,320)	(1,249)	6%
Other operating and administrative expenses	(596)	(528)	13%
Allocated expenses(1)	(1,343)	(1,382)	(3)%
Total expenses	(3,259)	(3,159)	3%
Profit before income tax	1,454	1,471	(1)%
Income tax	(344)	(395)	(13)%
Net profit before minority interests	1,110	1,076	3%
Minority interests	—	—	—
Net profit	1,110	1,076	3%

(1) The expenses from shared services are recorded in Other banking and allocated to the banking segments.

Activity-based

	Year Ended December 31, 2007	2006	2007 vs. 2006 Change
	(unaudited) (EUR million)		
Net interest income on interest-margin products	2,687	2,675	0%
Capital gains on investment portfolio	64	10	8
Treasury and financial markets	60	45	33%
Total	2,811	2,730	3%

Since the restatement from accounting view to activity based view primarily relates to a 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, 2007	2006
Cost/Income ratio	67.0%	66.1%
Operating leverage[(1)]	(1.4)%	–%
— # of FTEs	19,239	17,029
— Belgium	9,361	9,401
— Rest of the world	6,158	5,434
— Consumer Finance & Mass Retail	2,483	1,205
— Support	253	190
— Asset Management	984	799
Funds under management (in EUR billions)	140	128

(1) Operating leverage is defined as the difference in the percentage growth in total revenues, prior to changes in provisions, and in total expenses. Operating leverage in 2006 has not been calculated because the numbers for 2005 have not been restated.

As a result of the reorganization in 2007 Retail Banking was divided into two sub-segments: Retail Banking Network and Retail Banking Asset Management. In connection with the reorganization Fortis restated its financial data for 2006 but not 2005. The following discussion, therefore, discusses Retail Banking Network and Retail Banking Asset Management for 2007 compared to 2006 and then Retail Banking as a whole for 2006 and 2005.

2007 Compared to 2006

Revenues. Total income at Retail Banking was EUR 4,864 million, a 2% increase from EUR 4,780 million in 2006 mainly due to the 13% increase in net commissions and fees, the significant increase in realized capital gains (losses) and the 26% increase in (un)realized gains and losses, partly offset by a decrease in other income of 25%. Including Fortis Banque France, net interest income was stable at EUR 2,675 million in 2006 and EUR 2,687 million in 2007. Excluding Fortis Banque France the increase in net interest income was due to the growth of retail activities in Turkey and overall growth at Consumer Finance.

Retail Banking Network

	Year Ended December 31,		2007 vs. 2006
	2007	2006	Change
	(EUR million)		
Income Statement			
Net interest income	2,697	2,675	1%
Net commissions and fees	1,097	1,016	8%
Realized capital gains (losses)	64	10	—
(Un)realized gains (losses)	49	39	26%
Dividend and other investment income	8	15	(88)%
Other income	497	664	(25)
Total revenues	4,412	4,419	0%
Change in provisions for impairment	(142)	(151)	(6)%
Net revenues	4,270	4,268	0%
Staff expenses	(1,146)	(1,107	4%
Other operating and administrative expenses	(482)	(441)	9%
Allocated expenses[1]	(1,331)	(1,371)	(3)%
Total expenses	(2,959)	(2,919)	(1)%
Profit before income tax	1,311	1,349	(3)%
Income tax	(309)	(362)	(15)%
Net profit before minority interests	1,002	987	2%
Minority interests	—	—	—
Net profit	1,002	987	2%

(1) The expenses from shared services are recorded in Other banking and allocated to the banking segments.

Activity-based

	Year Ended December 31,		2007 vs. 2006
	2007	2006	Change
	(unaudited) (EUR million)		
Net interest income on interest-margin products	2,697	2,675	1%
Capital gains on investment portfolio	64	10	—
Treasury and financial markets	49	39	26%
Total	2,810	2,724	3%

2007 Compared to 2006

Revenues. Retail Banking Network's total revenues were essentially flat when comparing 2007 (EUR 4,412 million) and 2006 (EUR 4,419 million). The increase in net commissions and fees (up EUR 81 million or 8% in 2007 to EUR 1,097 million compared to EUR 1,016 million in 2006), higher net interest income (up EUR 22 million in 2007 to EUR 2,697 million in 2007 compared to EUR 2,675 million in 2006) and higher capital gains (up EUR 54 million in 2007 to EUR 64 million compared to EUR 10 million in 2006) were partly offset by lower allocated income from Assets & Liabilities Management (ALM) (down EUR 187 million in "other income"). Expenses in the Benelux countries remained virtually static. The 5% increase in total expenses was essentially linked to continued investment in growth engines outside the Benelux countries, particularly in Turkey, Poland, Germany and Ireland.

Profit before income tax. The change in impairments at Retail Banking Network was EUR 142 million in 2007, a decrease of EUR 9 million from EUR 151 million in 2006. The change in impairments remained in line with growth in the credit portfolio, which is an illustration of the overall good credit quality.

Total expenses at Retail Banking Network increased 1% or EUR 40 million to EUR 2,959 million in 2007 from EUR 2,919 million in 2006. Costs in Belgium remained virtually stable (up 1% in 2007), benefiting from further efficiency improvements. The increase in total expenses related to continued investments in our distribution networks in Germany, Turkey and Poland aimed at achieving a broadly based presence in those countries. In 2007, 82 new credit shops were opened in Germany and 41 branches were added in Turkey; while the inclusion of Dominet added 185 branches and 77 other sales points in Poland.

Staff expenses increased 4% or EUR 39 million to EUR 1,146 million in 2007 compared with EUR 1,107 million in 2006. The increase reflects a 17% increase in the total number of FTEs to 18,255 in 2007 compared with 18,025 in 2006. In the Benelux, Markets continued efforts to improve efficiency, mainly in support functions, contributing to a 2% decrease in FTEs. Expansion in the growth markets, however, was accompanied by an increase in FTEs. In Turkey the headcount increased by 1,404 FTEs, including a shift of 890 FTEs from central support departments to Retail Banking. Poland added 1,064 FTEs mainly due to Dominet, while Germany hired 276 new FTEs.

Other operating and administrative expenses increased by EUR 41 million to EUR 482 million in 2007 from EUR 441 million in 2006. The increase was mainly due to the rollout of the credit shop network in Germany and the related marketing campaigns, the continued expansion of the Turkish branch network and the inclusion of Dominet. Allocated expenses at EUR 1,331 million were 3% higher than 2006, which was consistent with the overall rise in central expenses to support growth, particularly at IT & Operations and Facility & Purchasing.

Net profit. Retail Banking Network's net profit was EUR 1,002 million in 2007 compared with EUR 987 million in 2006 due to a strong commercial performance in the Benelux countries combined with virtually stable operating costs and further expansion of growth engines.

Customer deposits increased by almost EUR 4 billion or 4% to EUR 93 billion in 2007 from EUR 89 billion in 2006. Given relatively high short term interest rates, customers shifted from traditional savings deposits to time deposits. Globally, time deposits at Retail Banking increased by EUR 8.8 billion in 2007, which more than compensated for the outflow of EUR 4.4 million from savings deposits. In Belgium, total deposits increased by 2% or EUR 1.1 billion, attributable to a very successful customer retention policy. Underlying this growth, time deposits increased by 21% while saving deposits decreased by 11%. In addition, Retail Bank Belgium posted net intake of EUR 2 billion in other financial products such as life insurance and investment funds. This was due to increased demand for products with a minimum guaranteed return in response to the more volatile market environment. Commercial campaigns in The Netherlands led to a substantial increase in one-year time deposits, resulting in 6% growth in total deposits.

Loans to customers increased 9% to EUR 85 billion in 2007 from EUR 78 million in 2006. The increase was attributable to growth in residential mortgages in Belgium (up EUR 2 billion in 2007) and The Netherlands (up EUR 3 billion in 2007), an increase in commercial loans in Belgium (up EUR 0.8 billion in 2007) and an increase in consumer loans at Consumer Finance (up EUR 0.9 billion in 2007).

Capital gains increased by EUR 54 million from EUR 10 million in 2006 to EUR 64 million in 2007 (activity based). A joint venture between Alpha Credit, a Fortis Consumer Finance company, and EOS was announced in November 2007. EOS acquired 50% of the credit collection activity of Aremas, which resulted in a capital gain of EUR 48 million for Consumer Finance in 2007.

Retail Banking Asset Management

	Year Ended December 31,		2007 vs. 2006 Change
	2007	2006	
	(EUR million)		
Income Statement			
Net interest income	(10)	—	—
Net commissions and fees	436	346	26%
Realized capital gains (losses)	—	—	—
(Un)realized gains (losses)	11	6	83%
Dividend and other investment income	10	3	—
Other income	5	6	(17)%
Total revenues	452	361	25%
Change in provisions for impairment	(9)	1	—
Net revenues	443	362	22%
Staff expenses	(174)	(142)	23%
Other operating and administrative expenses	(114)	(87)	31%
Allocated expenses[1]	(12)	(11)	9%
Total expenses	(300)	(240)	25%
Profit before income tax	143	122	17%
Income tax	(35)	(33)	6%
Net profit before minority interests	108	89	21%
Minority interests	—	—	—
Net profit	108	89	21%

(1) The expenses from shared services are recorded in Other banking and allocated to the banking segments.

Activity-based

	Year Ended December 31,		2007 vs. 2006 Change
	2007	2006	
		(unaudited) (EUR million)	
Net interest income on interest-margin products	(10)	—	—
Capital gains on investment portfolio	—	—	—
Treasury and financial markets	11	6	83%
Total	1	6	(83)%

2007 Compared to 2006

Fortis Investments had net inflow of EUR 9.6 billion in 2007 compared with EUR 9.9 billion in 2006. The net inflow resulted from an outflow resulting from the offset by global market turmoil, driven by Chinese equities and absolute return products across all of the key geographies, offset by inflows due to the integration of the investment trust activities of Commerzbank in Japan and the management of the investments of Fortis Insurance Company (Asia) Limited ("**FICA**") following Fortis's acquisition of Pacific Century Insurance Holding. As a result, assets under management at December 31, 2007 were EUR 133 billion, a 10% increase compared with 2006. This sustained performance was due to strong sales figures during 2007 and illustrates Fortis Investments' highly diversified distribution platform and product solutions. Net commissions and fees increased by 26% to EUR 436 million in 2007 from EUR 346 million in 2006.

Fortis Investments is active in both the CDO and CLO markets and manages around EUR 9 billion in third-party closed-end funds. In 2007, its corporate CDO business saw no defaults, no transactions were placed on negative watch and no deals were downgraded. Fortis Investments ABS CDO's were, however, impacted by the subprime crisis, although these CDO's still outperformed the market. Conservative impairments have been made, in strict compliance with internal group policy.

Fortis Investments has almost entirely impaired its investments in the equity stakes (i.e., a EUR 9 million impairment) in the CDOs it manages invested in the subprime mortgage market. Fund performance was impacted by the market turbulence in the second half of 2007, with funds registering above benchmark performance, declining to 54% on a one-year horizon and 71% on a three-year horizon, respectively.

At the end of January 2008, Fortis received permission from the Dutch central bank (DNB) concerning the proposed demerger of ABN AMRO Asset Management ("**AAAM**") from ABN AMRO bank. The demerger was completed on April 1, 2008.

Expenses at Fortis Investments were 25% higher than in 2006, reflecting continued investments in IT and staff in line with Fortis Investments' growth plans for the next five years. Staff expenses increased 23% in 2007 compared with 2006, reflecting the significant increase in headcount and higher performance related compensation. Other expenses also increased, primarily due to IT-related investments.

Retail Banking

The following table sets forth selected income statement data for the Retail Banking segment as reported for 2006 and 2005.

	Year Ended December 31,		2006 vs. 2005
	2006	2005	Change
	(EUR million)		
Income Statement			
Net interest income	2,647	2,467	7%
Net commissions and fees	1,362	1,092	25%
Realized capital gains (losses)	11	63	(83)%
(Un)realized gains (losses)	44	43	2%
Dividend and other investment income	18	16	13%
Other income	724	513	41%
Total revenues	4,806	4,194	15%
Change in provisions for impairment	(150)	(130)	15%
Net revenues	4,656	4,064	15%
Staff expenses	(1,249)	(1,111)	12%
Other operating and administrative expenses	(523)	(385)	36%
Allocated expenses(1)	(1,370)	(1,262)	9%
Total expenses	(3,142)	(2,758)	14%
Profit before income tax	1,514	1,306	16%
Income tax	(424)	(444)	(5)%
Net profit before minority interests	1,090	862	26%
Minority interests	—	—	—
Net profit	1,090	862	26%

(1) The expenses from shared services are recorded in Other banking and allocated to the banking segments.

Activity-based

	Year Ended December 31,		2006 vs. 2005
	2006	2005	Change
	(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%
Total	2,702	2,573	5%

Retail Banking Key Performance Indicators

	Year Ended December 31,	
	2006	2005
Cost/Income ratio	65.4%	65.8%
Operating leverage[1]	0.7%	19.5%

(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% to EUR 2,647 million in 2006 compared to EUR 2,467 million in 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 savings 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 FTEs stood at 17,030, a 20% increase on year end 2005. Included in this increase of some 2,844 FTEs 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 FTEs 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.

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 was organized according to a Clients-Skills structure in 2007.

The following table sets forth selected income statement data for the Merchant & Private Banking segment for the periods indicated.

	Year Ended December 31, 2007	Year Ended December 31, 2006	2007 vs. 2006 Change
	(EUR million)		
Income Statement			
Net interest income	2,618	2,139	22%
Net commissions and fees	1,555	1,411	10%
Realized capital gains (losses)	196	140	40
(Un)realized gains (losses)	978	994	(2)
Dividend and other investment income	191	142	35%
Other income	466	521	(11)%
Total revenues	6,004	5,347	12%
Change in impairment	(2,667)	(21)	—
Net revenues	3,337	5,326	(37)%
Staff expenses	(1,374)	(1,126)	22%
Other operating and administrative expenses	(655)	(636)	3%
Allocated expenses	(1,493)	(1,183)	26%
Total expenses	(3,522)	(2,945)	20%
Profit (loss) before income tax	(185)	2,381	—
Income tax	699	(278)	—
Net profit before minority interests	514	2,103	—
Minority interests	0	4	(100)%
Net profit	514	2,099	—

Activity Based

	Year Ended December 31, 2007	Year Ended December 31, 2006	2007 vs. 2006 Change
	(unaudited) (EUR million)		
Net interest income on interest-margin products	2,606	2,058	27%
Capital gains on investment portfolio	127	94	35%
Treasury and financial markets	1,059	1,121	(6)%
Total	3,792	3,273	16%

Merchant and Private Banking Key Performance Indicators

	Year Ended December 31, 2007	Year Ended December 31, 2006	2006 vs. 2005 Change
Cost/Income ratio	57.7%	55.1%	—
Operating leverage(1)	(7.3)%	—	—
Net profit per FTE (in EUR)(2)	31,520	146,476	(78)%
— # of FTEs	16,307	14,330	14%

(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.

2007 Compared to 2006

The decision to move the retail activities of Fortis Banque France to Merchant & Private Banking led to a change in reporting as of the second quarter of 2007 although prior periods have not been restated. As a result, year-on-year results are not directly comparable.

Revenues. Total revenues increased by 12% to EUR 6,004 million in 2007, from EUR 5,347 in 2006 due to strong performance across all activities.

The US subprime-related investments offset the 12% increase in total income, which was almost entirely supported by the rise in net interest income and net commissions and fees. Merchant & Private Banking also continued to invest in products, staff and systems, further reinforcing its profitable client coverage and relationships.

Net interest income increased by 22% to EUR 2,618 million in 2007 from EUR 2,139 million in 2006, with most businesses recording double-digit growth, in line with the underlying growth in loans to customers. Net commissions and fees increased 10%, with solid performances at Private Banking and Clearing, Funds & Custody.

Treasury and financial markets activities (activity based) generated strong and resilient results under challenging market conditions, declining by only 6% to EUR 1,059 million in 2007 from EUR 1,121 million in 2006. Negative revaluations in the structured credit business were partly offset by protection provided by credit hedges and diversification benefits of trading and non-trading activities. Higher capital gains on the investment portfolio were also realized on some equity holdings and real estate assets.

Net interest income on interest-margin products (activity based) increased 27% to EUR 2,606 million in 2007 from EUR 2,058 million in 2006. This was in line with the 25% underlying growth in loans to customers (excluding securities financing and reverse repurchase agreements), reflecting favorable commercial developments across all businesses. The increase in credit risk-weighted commitments was limited to 14% (rising to EUR 174 billion in 2007 from EUR 153 million in 2006) due to EUR 7 billion in relief provided by conversion of the credit hedge portfolio into single-name credit default swap ("**CDS**") protection. These were purchased from highly rated European and American investment banks, covering a EUR 14 billion total notional amount.

Net interest income at Commercial Banking increased 16% in 2007 compared to 2006, with nearly every country reporting an increase upwards of 10%. This was in line with the growth in deposits and loans (up 15%), while margins stabilized in the second half. Corporate, Institutional & Public Banking also recorded 32% growth in net interest income in 2007 compared to 2006, 4% of which was due to releases from interest reserves linked to the benign credit environment with Volume growth of 25% supporting the remaining 28% underlying increase in net interest income.

Net interest income at ECT increased 31% in 2007 compared to 2006, due in part to reclassifications (interest related fees booked as net interest income, which were booked as net commissions and fees in 2006). Excluding the reclassifications, net interest income would have increased by 22%, attributable to 14% volume growth, due mainly to a strong performance at Commodities and higher cross-selling. Clearing, Funds & Custody recorded a 27% rise in net interest income, mainly on higher volumes and margins on deposits and collateralized lending.

Net commissions and fees rose 10% to EUR 1,555 million in 2007 from EUR 1,411 million in 2006. Adjusting for the reclassification and for the integration of Retail Bank France, net commissions and fees would have risen by 12%, 3% of which related to the ABN AMRO transaction. The underlying 9% increase in net commissions and fees reflected the solid performance delivered by all activities. Clearing, Funds & Custody recorded a 22% rise in net commissions and fees on the back of higher volumes. Assets under custody at Global Clearing & Custody increased by 4% to EUR 326 billion in 2007 compared to 2006 and assets under administration at Prime Funds Solutions rose 21% to EUR 116 billion in 2007 compared to 2006. Private Banking net commissions and fees increased by 6%, mainly in The Netherlands, Switzerland, UK and Asia, on higher volumes and margins. Funds under management increased by 5% to EUR 82.6 billion in 2007 compared to 2006, supported by EUR 2.7 billion in total net inflow. The total net inflow remained strong despite the exit of one large customer, whose temporary deposit of EUR 2.5 billion was withdrawn in the third quarter of 2007.

Capital gains on the investment portfolio amounted to EUR 127 million in 2007 an increase of EUR 33 million from EUR 94 million in 2006, an increase of 35%, due to divestments from equity positions (partly in Private Equity) and some real estate assets.

Treasury and financial markets results were EUR 1,059 million, a decrease of 6% or EUR 62 million from EUR 1,121 million in 2006, in an extremely difficult market environment. These results can be broken down into trading and non-trading income. The year-on-year decline was entirely attributable to negative revaluations in the structured credit business (Capital Markets Group) while all other trading and non-trading activities performed better than in 2006. Adjusted for grossing up, the EUR 1,208 million income in treasury and financial markets was still firmly above the cycle neutral annual floor due to their diversified nature.

Non-trading revenues (mainly Private Equity, Global Securities & Financing Group and Credit Hedging) were EUR 659 million in 2007, a 24% increase compared to 2006, attributed to the positive contribution of the credit portfolio hedge.

- Private Equity recorded EUR 219 million in revenues in 2007, a 4% increase compared to 2006, benefiting from exits and revaluations in funds of funds.
- Global Securities & Financing Group ("**GSFG**") contributed EUR 334 million in 2007, a 6% increase compared to 2006, despite higher commissions paid on new exclusivity rights' contracts.
- The Credit Portfolio Management unit recorded a total positive revaluation of EUR 40 million in 2007. The EUR 54 million gain in the fourth quarter, benefiting from widening credit spreads, more than offset the total EUR 14 million loss accounted for in the first nine months of the year. Over the last quarter of 2007, the Credit Portfolio Management team converted the entire hedging portfolio into single name credit default swap protections. They now cover a EUR 14 billion total notional amount, distributed over 136 reference counterparties that are exclusively highly rated European and American investment banks. This resulted in a EUR 7 billion relief in credit risk-weighted commitments.

Trading revenues (adjusted for grossing-up) amounted to EUR 546 million in 2007, a 36% decrease, due to the US subprime market turmoil and resulting liquidity crisis. Trading revenues are accounted for under "Other realized and unrealized capital gain" and non-trading revenues are accounted for under "Realized capital gains and losses on investments". The revenue stream nonetheless benefited from diversification. This decline should be seen in the light of an average daily Value at Risk that remained moderate throughout 2007, ending at EUR 30 million. The weak performance of the Capital Markets Group, which suffered from negative revaluations in the structured credit business, was offset by good results at the Forex and Rates Group and Global Equities Group. The Forex and Rates Group benefited from customer flows and movements in the USD/EUR exchange rate, offsetting higher funding costs in the second half of the year.

Dividend and other investment income increased 35% to EUR 191 million in 2007 from EUR 142 million in 2006, mainly due to structured finance transactions at Investment Banking. Their positive impact on the "Dividend and other investment income" post was offset by a similar decrease in treasury and financial markets results.

Profit before income tax. Change in impairments reached EUR 2,667 billion in 2007 mainly due to the impairments on the US supprime related investments (EUR 2.7 billion). Fortis applied a stringent judgmental approach to impairments on the super senior CDO portfolio with subprime exposure. An impairment of EUR 2.4 billion (after tax EUR 1.5 billion) was taken on this exposure in the fourth quarter of 2007. Additionally, an impairment of EUR 0.2 billion was recorded in 2007 on the below super senior tranches and some warehouse positions related to the origination activity. Finally, an impairment of EUR

0.1 billion was booked in the credit spread portfolio, bringing total subprime impairments taken to EUR 2.7 billion in 2007 (after tax EUR 1.7 billion).

Taking these impairments into account, the remaining exposure on US subprime CDO's stood at EUR 2.9 billion at the end of 2007, EUR 2.6 billion of which is in High Grade super senior tranches and EUR 0.3 billion in Mezzanine super senior tranches. A reclassification of impairments and net interest income negatively impacted the impairments by EUR 25 million due to further alignment with IFRS. This negative change was partly offset by the release of an IBNR provision of EUR 179 million due to revision of the parameters of the calculation. With respect to the loan book, specific impairments remained limited.

Total expenses increased by 20% to EUR 3,522 million in 2007 from EUR 2,945 million in 2006, due to higher staff expenses and higher allocation expense. Adjusting for scope changes and one-time events, such as Fortis Energy Marketing & Trading, the first-time inclusion of Retail Bank France's activities and the ABN AMRO integration costs (EUR 6 million), total expenses grew 14% in 2007. Staff expenses increased 22% to EUR 1,374 million in 2007 from EUR 1,126 million in 2006, while the number of FTEs rose by 14% with new hiring mainly at growth engines and outside the Benelux region. Adjusting for scope changes and one-time events, staff expenses increased 12% due to a 7% underlying increase in the number of FTEs and wage drift. Non-staff expenses amounted to EUR 655 million in 2007, a 3% increase from EUR 636 million in 2006. Scope changes, combined with a restructuring provision in France and ABN AMRO integration costs, accounted for 10% of the increase. The remaining 11% reflected investments in growth in the US, Asia and the UK.

As a result mainly of the change in impairment, profit (loss) before income tax was a loss of EUR 185 million in 2007 compared to a profit of EUR 2,381 million in 2006.

Taxation. Merchant & Private Banking recognised a tax credit for 2007, as tax-deductible losses in the US relating to subprime exposure outweighed the tax expenses on profit realised elsewhere. Excluding the subprime-related tax credit in the US, the effective tax rate would have stood at a low 13% in 2007, benefiting from the tax exemption on equity gains at Global Markets and favourable tax effects on some Private Equity and Structured Finance transactions.

Net profit. Net profit decreased to EUR 514 million in 2007 from EUR 2,103 million in 2006 due principally to the impairments on US subprime-related investments that offset the strong underlying performance of all Merchant & Private Banking activities.

Merchant Banking

The following table sets forth selected income statement data for the Merchant Banking segment for 2006 and 2005.

	Year Ended December 31,		2006 vs. 2005 Change
	2006	2005	
	(EUR million)		
Income Statement			
Net interest income	886	764	16%
Net commissions and fees	561	459	22%
Realized capital gains (losses)	128	318	(60)%
(Un)realized gains (losses)	910	527	73%
Dividend and other investment income	99	114	(13)%
Other income	160	126	27%
Total revenues	2,744	2,308	19%
Change in impairment	116	107	8%
Net revenues	2,860	2,415	18%
Staff expenses	(675)	(603)	12%
Other operating and administrative expenses	(345)	(364)	(5)%
Allocated expenses	(409)	(359)	14%
Total expenses	(1,429)	(1,326)	8%
Profit before income tax	1,431	1,089	31%
Income tax	(78)	(76)	3%
Net profit before minority interests	1,353	1,013	34%
Minority interests	5	6	(17)%
Net profit	1,348	1,007	34%

Activity Based

	Year Ended December 31,		2007 vs. 2006 Change
	2006	2005	
	(unaudited) (EUR million)		
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%
Total	1,924	1,609	20%

Merchant Banking Key Performance Indicators

	Year Ended December 31, 2006	2005	2006 vs. 2005 Change
Cost/Income ratio	52.1%	57.5%	—
Operating leverage(1)	11.1%	53.6%	—
Net profit per FTE (in EUR)(2)	287,175	248,449	16%
— # of FTEs	4,694	4,056	16%

(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 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 represented 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 was 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 trading positions in derivatives change considerably year on year, net interest income related thereto is also affected by such changes. 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 2006 due to strong competition in a benign credit environment. Although the interest margins on loans to customers were 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 2005'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 reflected 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.

Commercial & Private Banking

The following table sets forth selected income statement data for the Commercial & Private Banking segment for 2006 and 2005.

	Year Ended December 31, 2006	Year Ended December 31, 2005	2006 vs. 2005 Change
	(EUR million)		
Income Statement			
Net interest income	1,190	1,031	16%
Net commissions and fees	843	702	20%
Realized capital gains (losses)	11	16	(31)%
(Un)realized gains (losses)	85	62	37%
Dividend and other investment income	46	39	18%
Other income	327	238	37%
Total revenues	2,502	2,088	20%
Change in impairment	(137)	(153)	(10)%
Net revenues	2,365	1,935	22%
Staff expenses	(721)	(566)	27%
Other operating and administrative expenses	(373)	(277)	35%
Allocated expenses	(406)	(446)	(9)%
Total expenses	(1,500)	(1,289)	16%
Profit before income tax	865	646	34%
Income tax	(194)	(186)	4%
Net profit before minority interests	671	460	46%
Minority interests	0	0	–
Net profit	671	460	46%

Activity-based

	Year Ended December 31, 2006	Year Ended December 31, 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%

Commercial & Private Banking Key Performance Indicators

	Year Ended December 31, 2006	Year Ended December 31, 2005	2006 vs. 2005 Change
Cost/Income ratio	60.0%	61.7%	—
Operating leverage[(1)]	3.5%	4.5%	—
Net profit per FTE (in EUR)	8,024	6,119	31%
— # of FTEs	79.0	69.8	13%

(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 strong activity towards the end of 2006.

Net interest income at Specialized 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 Disbank (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%.

Other Banking

As of 2007 Other Banking includes all Shared Services activities and the corporate functions of Banking, Asset & Liability Management ("**ALM**") in 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 businesses, and the 2006 figures have been restated accordingly. As of 2007, the results of Belgolaise are consolidated under Other Banking, using the equity method, whereas previously they were fully accounted for. Income and expense related to ALM and Shared Services are allocated to Banking business lines (which explains why 'other income' is negative and 'allocated expenses' is positive).

The following table sets forth selected income statement data for Other Banking for the periods presented.

	Year Ended December 31, 2007	Year Ended December 31, 2006	2006 vs. 2005 Change
	(EUR million)		
Income Statement			
Net interest income (expense)	(38)	272	—
Net commissions and fees	(23)	(9)	—
Realized capital gains (losses)	621	426	45%
(Un)realized gains (losses)	240	300	(20)%
Dividend and other investment income	299	127	—
Other income (including allocations)[1]	(656)	(919)	29%
Total revenues	443	197	—
Change in impairment	(17)	13	—
Net revenues	426	210	—
Staff expenses	(1,332)	(1,250)	7%
Other operating and administrative expenses[2]	(1,776)	(1,526)	16%
Allocated expenses	2,836	2,565	11%
Total expenses	(272)	(211)	29%
Profit before income tax	154	(1)	—
Income tax	4	(19)	—
Net profit before minority interests	158	(20)	—
Minority interests	14	6	—
Net profit	144	(26)	—

(1) For an explanation of the allocation of revenues and expenses between the segments see "— Segment Reporting".

Activity-based

	Year Ended December 31, 2006	Year Ended December 31, 2005	2006 vs. 2005 Change
	(unaudited) (EUR million)		
Activity-based net interest income on interest-margin products	(52)	363	—
Capital gains on investment portfolio	615	427	44%
Treasury and financial markets	260	208	25%
Total	823	998	—

2007 Compared to 2006

Revenues. Net interest income (activity based) was EUR 52 million of net interest expense in 2007, a EUR 415 million decrease from net interest income of EUR 363 million in 2006. This was due to several factors. First, rising global interest rates, combined with a yield curve that remained flat, depressed net interest income. Second, the acquisition of ABN AMRO activities was financed partly with debt instruments, more specifically CASHES, MCS and a credit facility, impacting interest income by EUR 94 million. Furthermore, higher interest rates reduced by EUR 50 million prepayment penalties received on the mortgage portfolio of Retail Banking Belgium and Fortis Hypotheekbank. Net interest income was also adversely impacted by a EUR 38 million one-time correction at Fortis Hypotheek Bank and by higher funding costs. Lastly, the allocation of interest income to Other Banking and the business lines accounted for over half of the decrease in net interest income. The business lines receive interest income from ALM on target capital employed. The allocation is based on the level of risk-weighted commitments (RWC) and the transfer price used. Strong RWC growth during 2007 combined 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 (activity based) was EUR 615 million in 2007, a 44% increase from EUR 427 million in 2006. This increase was due to the sale of a number of non-strategic equity holdings (including Banco Comercial Português, Kasbank and ICBC (Asia)) in the run-up to the financing of the ABN AMRO Acquisition.

Treasury and financial markets income (activity based) increased by 25% to EUR 260 million in 2007 compared to EUR 208 million in 2006. The positive impact was driven by prepayment fees on long-term deposits. The result was negatively impacted in the fourth quarter of 2007 by fees on the CASHES transaction and to a lesser extent by the flat yield curves and the effect of lower volatilities on the value of hedging positions that do not qualify for hedge accounting.

Expenses. Staff expenses (excluding eliminations) decreased by 3% or EUR 25 million to EUR 865 million in 2007. The decline is attributed to the capitalization of key information technology projects in accordance with IAS 38 rules, the exclusion of Belgolaise and scope changes. Excluding these factors, staff expenses increased by 4%, due to a 2% increase in headcount and normal wage drift.

Other operating and administrative expenses rose EUR 250 million to EUR 1,776 million in 2007 compared with EUR 1,526 million in 2006. Underlying expense grew 5%, excluding technical adjustments and scope changes amounting to EUR 21 million. Almost three quarters of the underlying increase in other operating and administrative expenses relates to Information Services and Technology (IST), reflecting Fortis's continued investment in the infrastructure of its key banking systems (City Plan projects). Some of these projects are mandatory, such as SEPA, Basel II and MiFID, while others are in place to support various growth initiatives. Facility costs related to removal and refurbishment costs in Belgium and The Netherlands (rehousing plan) and network expansion in Turkey are other important reasons for the increase in Other operating expenses.

Major productivity gains have been made at the key processing units of the Operations Department, i.e., Accounts, Payments, Securities Handling and Industrialized Credits. Volumes climbed 12%, while direct costs remained stable, due to investment in IT systems.

As a result of the foregoing, profit before income tax was EUR 154 million in 2007 compared with EUR 1 million negative in 2006.

*Net profi*t. Net profit for 2007 increased by EUR 170 million to EUR 144 million compared to EUR 26 million negative in 2006.

Other Banking

The following table sets forth selected income statement data for Other Banking for 2006 and 2005. The 2006 figures have not been restated as described above.

A number of major changes 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 was fully accounted for in the applicable banking business lines beginning in 2006. Belgolaise's total revenues and expenses, also, were included for the first time in 2006, as were facility-related costs which were 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.

	Year Ended December 31, 2007	Year Ended December 31, 2006	2006 vs. 2005 Change
	(EUR million)		
Income Statement			
Net interest income	363	391	(7)%
Net commissions and fees	(2)	37	—
Realized capital gains (losses)	426	315	35%
(Un)realized gains (losses)	300	173	73%
Dividend and other investment income	124	90	38%
Other income (including allocations)[1]	(939)	(605)	55%
Total revenues	272	401	(32)%
Change in impairment	13	(33)	—
Net revenues	285	368	(23)%
Staff expenses	(980)	(1,090)	(10)%
Other operating and administrative expenses	(1,449)	(1,207)	20%
Allocated expenses	2,185	2,067	6%
Total expenses	(244)	(230)	6%
Profit before income tax	41	138	(70)%
Income tax	4	(28)	—
Net profit before minority interests	45	110	(59)%
Minority interests	5	5	0%
Net profit	40	105	(62)%

(1) For an explanation of the allocation of revenues and expenses between the segments see "— Segment Reporting".

Activity-based

	Year Ended December 31, 2006	Year Ended December 31, 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%
Total	1,089	879	24%

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 was 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 426 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 offset 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 was 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, continued 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.

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 52 of the Notes to the 2007 Consolidated Financial Statements incorporated by reference herein. These are only presentation changes and have no impact on net profit.

	Year Ended December 31,			2007 vs. 2006	2006 vs. 2005
	2007	2006	2005	Change	Change
		(EUR million)			
Life					
— Gross earned premiums	9,688	9,147	8,256	6%	11%
— Investment contracts without DPF	3,481	2,978	3,225	17%	(8)%
Gross inflow[(1)]	13,169	12,126	11,481	9%	6%
Gross written premiums Non-Life	5,483	5,033	4,775	9%	5%
Technical result	—	—	—	—	—
— Life	230	638	691	(64)%	(8)%
— Non-Life	319	573	537	(44)%	7%
Allocated capital gains	511	206	206	—	0%
Operating margin[(2)]	1,060	1,417	1,434	(25)%	(1)%
— Life	672	811	858	(17)%	(5)%
— Non-Life	388	606	576	(36)%	5%
Non-allocated other income and charges	708	373	238	(44)%	57%
Profit before income tax	1,768	1,790	1,672	5%	7%
Income tax	(183)	(390)	(473)	(53)%	(18)%
Net gain on discontinued operations	1,013	61	60	—	2%
Minority interests	64	41	34	57%	21%
Net profit	2,534	1,420	1,225	79%	16%
— Life	1,995	923	748	—	24%
— Non-Life	545	497	477	10%	4%
— Other	(6)	—	—	—	—
Operating costs[(3)]	(1,413)	(1,341)	(1,256)	5%	7%

(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 Premium			Profit Before Income Tax		
	Year Ended December 31,			Year Ended December 31,		
	2007	2006	2005	2007	2006	2005
	(unaudited) (EUR million)					
Insurance Belgium	7,517	6,744	6,444	566	698	685
Insurance Netherlands	5,219	5,380	4,603	1,016	810	751
Insurance International	5,916	5,034	5,209	192	343	296
Other Insurance (including eliminations)	—	—	—	(6)	—	0
Total	18,652	17,158	16,256	1,768	1,851	1,732

Insurance Key Performance Indicators

	Year Ended December 31,			2007 vs. 2006	2006 vs. 2005
	2007	2006	2005	Change	Change
— # of FTEs	14,967	13,106	13,083	14%	—
Operating leverage(1)	(5.0)%	(4.3)%	17.6%	—	—
Life:					
New business life — APE (in EUR million)	1,375	1,336	1,279	3%	4%
Non-Life total:					
Claims ratio	67.4%	61.2%	61.3%	—	—
Expense ratio	32.7%	34.9%	34.7%	—	—
Combined ratio	100.1%	96.1%	96.0%	—	—
Non-Life Property & Casualty(2):					
Claims ratio	66.9%	59.1%	58.8%	—	—
Expense ratio	36.9%	39.3%	38.3%	—	—
Combined ratio	103.9%	98.4%	97.1%	—	—
Non-Life Accident & Health(3):					
Claims ratio	68.3%	65.9%	66.9%	—	—
Expense ratio	23.2%	24.7%	26.3%	—	—
Combined ratio	91.5%	90.6%	93.2%	—	—

(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

In connection with its 2006 results, Fortis began publishing 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 provide a measure of the profitability of the company's life insurance business.

The 2007 and 2006 figures have been calculated in accordance with the EEV principles. The transition to MCEV reporting, which started in 2005, was completed in 2006. 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, among others, an allowance for Cost of Financial Options and Guarantees.

	(EUR million) (unaudited)
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
Opening adjustment	220
Accrual during the year	345
Accrual value year-end 2007	12,872
Dividend payment to Fortis	(1,153)
Embedded Value year-end 2007	12,411

(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's insurance business segments.

	PVNBP[1]			VANB[2]			New Business Margin[3]	
	2007	2006	Change	2007	2006	Change	2007	2006
	(unaudited) (EUR million, except %)							
Insurance Belgium	5,305	5,169	3%	207	189	10%	3.90%	3.66%
Insurance Netherlands	2,777	2,344	18%	77	85	10%	2.77%	3.63%
Insurance International	2,766	2,743	1%	62	53	36%	2.24%	1.93%
Insurance Total	10,848	10,256	6%	346	327	6%	3.19%	3.19%

	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%

(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.

2007 Compared to 2006

Net profit for the period increased by 13% in a challenging market environment to EUR 1,585 million in 2007 from EUR 1,400 million in 2006. Net profit was affected by losses associated with natural disasters, dislocation in the global capital markets and additional liabilities booked related to unit-linked life policies in The Netherlands. These events were more than offset by a solid business performance due to a continued focus on profitability and higher capital gains triggered by portfolio protection techniques ("**CPPI**") (see "Risk Management—Market Risk in Insurance—ALM risk: Currency risk") and event driven capital gains (e.g., on the ABN AMRO transaction). Net profit at Life increased by 32% to EUR 1,223 million in 2007 from EUR 909 million in 2006, driven by higher volumes and capital gains, but offset by the impact of the capital markets turmoil and additional liabilities in the Dutch life business. Non-Life net profit was adversely affected by the combined impact of Windstorm Kyrill and floods in the UK (EUR 213 million before taxes) which brought down full-year Non-Life net profit by EUR 123 million to EUR 368 million in 2007 from EUR 491 million in 2006. In large part, these natural disasters caused the combined ratio to increase to 100.1% in 2007 compared to 96.1% in 2006. Excluding the exceptional natural disasters in 2007 the Non-Life combined ratio would have been 95.7%.

Total gross inflow was EUR 18.7 billion in 2007, an increase of 9% from EUR 17,158 million in 2006, despite 2006 benefiting from an exceptionally large group contract of EUR 0.7 billion. Our market position improved in all countries, confirming the effectiveness of our Fortify strategy of product innovation and multi-channel distribution. Life grew by 9% to EUR 13.2 billion in 2007 from EUR 12.1 billion in 2006, due to robust bancassurance sales and the inclusion of the newly acquired Hong Kong Life insurance business, consolidated beginning May 25, 2007. Annualized premium equivalent ("**APE**") advanced 17% to EUR 1,375 million in 2007 from EUR 1,174 million in 2006. Non-Life gross written premiums increased by 9% to EUR 5.5 billion in 2007 from EUR 5.0 billion in 2006, based on sound margins and driven by product innovation across all countries.

The continued drive to enhance efficiency improved the expense ratios, the 5% increase in operating costs being offset by 9% premium growth. Tight cost control programs (including a reduction of the external workforce in The Netherlands) compensated for start-up costs of new product-market combinations in Europe. In Non-Life, the expense ratio improved from 34.9% in 2006 to 32.7% in 2007.

Fortis announced in July 2007 that Fortis and "la Caixa" had mutually decided to end their CaiFor joint venture after 15 years. Consequently, the figures for CaiFor are reported in the income statement under results on divestments and results on discontinued operations. The transaction was concluded in the fourth quarter of 2007, producing a net capital gain on the divestment of EUR 947 million, EUR 773 million of which was realized in Life and EUR 174 million in Non-Life.

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 profit before taxation to EUR 1,113 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.

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 52 to Notes to the 2007 Consolidated Financial Statements incorporated by reference herein.

Technical result Life

	Year Ended December 31,		
	2007	2006	2005
	(EUR million)		
Gross earned premiums	9,688	9,147	8,256
Ceded reinsurance earned premiums	(82)	(56)	(50)
Financial result and capital gains allocated to technical result	3,143	4,690	5,496
Fee income	184	145	123
Other income	(4)	11	67
Total income	12,929	13,937	13,892
Benefits and surrenders, gross	(5,464)	(5,733)	(4,366)
Reinsurers' share of benefits and surrenders	38	137	206
Change in liabilities arising from insurance and investment contracts including unit-linked contracts	(5,542)	(6,151)	(7,685)
Reinsurers' share of change in liabilities	(6)	(115)	(170)
Profit sharing	(504)	(316)	(199)
Total technical charges	(11,478)	(12,178)	(12,214)
Commission expenses	(589)	(532)	(364)
Change in deferred acquisition costs and VOBA	(50)	(79)	(121)
Administrative expenses	(606)	(519)	(510)
Reinsurance commissions and profit participation	24	9	8
Total operating expenses	(1,121)	(1,121)	(987)
Technical result Life Insurance before taxation	230	638	691

2007 Compared to 2006

Gross inflow at Life increased by 9% to EUR 13,169 million in 2007 from EUR 12,126 million in 2006. This increase was due to a strong commercial focus and implementation of the Fortify strategy, which seeks to create revenue synergies by applying the principle of "optimize locally by sharing globally" or sharing proven skills across borders and across businesses. This strong performance in challenging market circumstances was underscored by an improved market position in all countries. In Belgium, commercial campaigns promoting Individual Life products continued to increase new business through the banking and broker channels, resulting in 12% growth compared with 2006. In The Netherlands, inflow decreased by 10% in 2007 due principally to a group insurance contract (EUR 0.7 billion) concluded in the fourth quarter of 2006 not repeated in 2007. Excluding this contract, inflow increased by 14% despite adverse market conditions, due to a strong focus on both individual and Group Life products. Growth of 22% in International was attributable to growth in all countries, but was achieved mainly on product innovation such as the introduction of twelve new investment products, efforts in Portugal which grew by 19% and the entry in 2007 into new markets.

Life technical result decreased to EUR 230 million in 2007 from EUR 638 million in 2006 due to the impact of the turmoil in the capital markets (which resulted in the write-down of certain assets including financial result and capital gains allocated to technical result by EUR 1,547 million) and additional liabilities related to unit-linked policies in The Netherlands. Life technical result was higher in 2007 in International, where the technical result almost doubled due to volume growth (EUR 38 million in 2006 to EUR 74 million in 2007) and the continued focus on higher margin products, particularly in Portugal. Life technical result, however, declined to a loss in Insurance Netherlands in 2007 compared to 2006 and lower profitability in Insurance Belgium in 2007 compared to 2006.

Net profit increased to EUR 1,222 million in 2007, an increase of 32% from EUR 925 million in 2006, due to strong commercial growth, capital gains and a lower effective tax rate, offsetting the abovementioned events affecting the Life technical result.

2006 Compared to 2005

Gross inflow at Life increased by 6% in 2006 to EUR 12,125 million (EUR 9,147 million 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.

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.

2007 Compared to 2006

After taking into account opening adjustments (including the divestiture of CaiFor), the Embedded Value increased by 8% to EUR 13.6 billion before dividends from an opening value of EUR 10.6 billion as of the end of 2006. This increase was mainly driven by a strong contribution of Value Added by New Business (VANB) and higher interest rates, which offset a drop in asset values and impairments on fixed income investments, such as CDOs. For the insurance business, rising interest rates supported an increase in value as a result of a natural mismatch between assets and liabilities with a longer duration.

After the dividend payment to Fortis, Embedded Value reached EUR 12.4 billion at year-end 2007.

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 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.

Insurance Life — Value Added by New Business

2007 Compared to 2006

The VANB increased by 6% from EUR 327 million in 2006 to EUR 345 million in 2007 due to higher volumes and margins which were in turn driven by the successful bank campaigns in Belgium, product innovation efforts in Portugal and sales through the bank channel in France. Difficult market circumstances depressed unit-linked sales in The Netherlands, causing a slight decrease in the VANB.

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 increased 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%.

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 52 to the 2007 Consolidated Financial Statements incorporated by reference herein.

	Year Ended December 31,		
	2007	2006	2005
		(EUR million)	
Gross earned premiums	5,385	4,936	4,788
Ceded reinsurance earned premiums	(530)	(508)	(624)
Financial results and capital gains allocated to technical result	289	318	292
Other income	37	73	65
Total income	5,181	4,819	4,521
Claims paid, gross	(3,000)	(2,678)	(2,471)
Reinsurers' share of claims paid	209	276	299
Change in liabilities arising from contracts	(611)	(273)	(316)
Reinsurers' share of change in liabilities	(132)	(20)	(57)
Claim handling expenses	(195)	(197)	(182)
Total technical charges	(3,465)	(2,892)	(2,727)
Commission expenses	(920)	(885)	(827)
Change in deferred acquisition costs and VOBA	7	26	(4)
Reinsurers' share of change in deferred acquisition costs and VOBA	(1)	8	2
Administrative expenses	(611)	(626)	(564)
Reinsurance commissions and profit participation	128	123	136
Total operating expenses	(1,397)	(1,354)	(1,257)
Technical result Non-Life insurance, before taxation	319	573	537
Technical result Non-Life business of Other insurance	—	—	—
Total	319	573	537

2007 Compared to 2006

Gross written premiums at Non-Life increased by 9% to EUR 5,483 million in 2007 from EUR 5,033 million in 2006. This growth reflects higher volumes in Belgium (an increase of 8%) due to continuous product innovation, growth in The Netherlands of 9% due to growth in Accident & Health, which further strengthened its leading market position by entering the newly privatized long-term disability market, and International gross written premiums growth of 10% mainly due to performance in the UK, which benefited from cost advantages, especially in the motor market.

The effects of Windstorm Kyrill and floods in the UK (EUR 213 million pre-tax) and, to a lesser extent, the volatility in global capital markets (EUR 36 million) decreased the Non-Life technical result by 44% from EUR 573 million in 2006 to EUR 319 million in 2007, with the combined ratio at 100%. Excluding the natural disasters, the combined ratio was 95.7% in 2007 compared with 96.1% in 2006, due to a continued focus on profitable growth and to efficient operations, as demonstrated by the lower expense ratio (32.7% in 2007, compared with 34.9% in 2006).

As a result of the foregoing, net profit decreased by 25% to EUR 368 million in 2007 from EUR 491 million in 2006.

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 reflected 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.

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			2007
		Motor	Fire	Other	Total
			(EUR million)		
Insurance Netherlands	169	22	3	5	199
Insurance Belgium	50	54	5	9	118
Insurance International	13	(8)	(43)	40	2
Total	232	68	(35)	54	319

	Accident and Health	Property & Casualty			2006
		Motor	Fire	Other	Total
			(EUR million)		
Insurance Netherlands	192	38	27	15	272
Insurance Belgium	39	54	30	6	129
Insurance International	12	57	65	38	172
Total	243	149	122	59	573

	Accident and Health	Property & Casualty			2005
		Motor	Fire	Other	Total
			(EUR million)		
Insurance Netherlands	146	18	39	20	223
Insurance Belgium	47	62	29	1	139
Insurance International	16	53	67	39	175
Total	209	133	135	60	537

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 2007 Consolidated Financial Statements incorporated by reference in this Prospectus.

	Year Ended December 31,		
	2007	2006	2005
	(EUR million)		
Land and buildings	2.984	2,447	2,144
Equity securities	8.941	10,239	8,448
Debt securities and other fixed-income securities	53.660	50,553	46,090
Investments in equity associates and joint ventures	548	548	476
Other investments(1)	593	560	633
Subtotal	66,726	64,347	57,791
Investments related to unit-linked contracts	31,395	28,865	25,907
Total investments	98,121	93,212	83,698

(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,					
	2007		2006		2005	
	Income	Pre-Tax Yield(1)	Income	Pre-Tax Yield(1)	Income	Pre-Tax Yield(1)
	(EUR million, except %)					
Land and buildings	279	10.3%	263	11.5%	258	12.6%
Equity securities	279	2.9%	270	2.9%	226	3.1%
Debt securities and other fixed-income securities	2,426	4.7%	2,095	4.3%	1,903	4.5%
Investments in equity associates and joint ventures	94	17.2%	112	21.9%	82	10.4%
Other investments(2)	318	—	262	—	253	—
Subtotal	3,396	5.2%	3,002	4.9%	2,722	5.1%
Investments for account of policyholders(3)	626	2.1%	1,949	7.1%	3,255	15.2%
Total income investments(4)	4,022	4.2%	4,951	5.6%	5,977	8.0%

(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 2007, income from investments of Fortis's insurance operations decreased to EUR 4,022 million from EUR 4,951 million in 2006. Income from investments related to unit-linked contracts, which is fully attributable to policyholders, decreased by EUR 1,323 million, to EUR 626 million in 2007 from EUR 1,949 million in 2006 mainly due to the declines in equity prices on most stock exchanges and the negative revaluation of bonds due to decreases in interest rates.

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.

Insurance Belgium

The following tables set forth selected summary financial information for Insurance Belgium for the periods indicated.

	Year Ended December 31,			2007 vs. 2006 Change	2006 vs. 2005 Change
	2007	2006	2005		
	(EUR million, except %)				
Gross inflow					
Life[(1)]	6,151	5,474	5,280	12%	4%
Non-Life	1,367	1,270	1,164	8%	9%
Operating costs	(389)	(378)	(348)	3%	9%
Technical result	360	453	537	(21)%	(16)%
Life	242	324	398	(26)%	(19)%
Non-Life	118	129	139	(9)%	(7)%
Operating Margin[(2)]	482	607	622	(21)%	(2)%
Life	344	456	477	(25)%	(5)%
Non-Life	138	151	144	(8)%	5%
Non-allocated other income and expense	83	91	63	(9)%	44%
Profit before taxation	566	698	685	(19)%	2%
Income Tax	(37)	(141)	(190)	(74)%	(26)%
Minority interests	6	4	7	50%	(43)%
Net profit	523	553	488	(5)%	13%
Operating leverage[(3)]	(62.3)%	(7.0)%	7.5%	—	—

(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.

2007 Compared to 2006

Total gross inflow increased 11% to EUR 7,518 million in 2007 from EUR 6,744 million in 2006. Gross inflow at Life increased 12% driven by highly effective commercial campaigns in the first half of 2007. Gross written premiums at Non-Life increased 8%, supported by natural growth and the extensive product range. Successful broker events and incentives contributed to this growth. According to market estimates published by the Belgian insurance association Assuralia, Fortis Insurance Belgium's market share in individual life advanced from 27.6% in 2006 to 29.1% in 2007, while its non-life market share grew from 13.7% to 14.2%.

Operating costs rose by only 3% in 2007 to EUR 389 million compared with 2006 (EUR 378 million), while total gross inflow increased 11%. Fortis Insurance Belgium continues to be one of the most cost-efficient insurers in the market as cost-efficiency ratios improved further. The number of FTEs increased by 2% from 5,182 in 2006 to 5,298 in 2007, in line with hiring targets set to accommodate the business's ongoing strong growth.

Net profit at Fortis Insurance Belgium was EUR 523 million in 2007, a 5% decrease from EUR 552 million in 2006. The decrease is attributable in part to losses associated with Windstorm Kyrill which reduced Non-Life technical result and the turmoil on the capital markets, offset in part by improved operational performance and net capital gains.

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 market estimates published by 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).

Insurance Belgium — Life

	Year Ended December 31,			2007 vs. 2006 Change	2006 vs. 2005 Change
	2007	2006	2005		
		(EUR million)			
Gross earned premiums	4,971	4,353	4,139	14%	5%
Investment contracts without DPF	1,180	1,121	1,141	5%	(2)%
Gross inflow	6,151	5,474	5,280	12%	4%
Technical result	242	324	398	(25)%	(19)%
Allocated capital gains	102	132	80	(23)%	65%
Operating margin	344	456	478	(25)%	(5)%
Non-allocated other income and charges	83	74	67	12%	10%
Profit before income tax	427	530	545	(19)%	(3)%
Income tax	3	(93)	(147)	—	(37)%
Minority interests	5	3	6	67%	(50)%
Net profit	425	434	392	(2)%	11%
New business life — APE	585	510	494	15%	3%

The following table sets forth certain information regarding premiums received by Insurance Belgium's life business.

	Year Ended December 31,		
	2007	2006	2005
	(EUR million)		
Regular premiums	1,230	1,191	1,567
Single premiums	3,741	3,164	2,571
Annualized premium equivalent (APE)	585	511	494
Value Added by New Business[(1)]	207	189	164

(1) Market consistent approach excluding result related commissions to Fortis Bank.

2007 Compared to 2006

Revenues. Gross inflow at Life increased 12% to EUR 6,151 million, in 2007 from EUR 5,474 million in 2006. The increase was attributable to successful savings campaigns by Fortis Bank which distributes Fortis Insurance Belgium's products as well as successful campaigns through the broker channels in early 2007 and the savings campaign during the summer months of 2007.

Funds under management at Life increased 9% to EUR 42.1 billion in 2007 from EUR 38.5 million in 2006 due to successful savings campaigns utilizing both the bancassurance and broker channels.

According to Assuralia (Belgian Insurance Association) statistics on Life insurance published in December 2007 Fortis Insurance Belgium consolidated its market leadership position in both Individual and Group Life. In Individual Life, Fortis Insurance Belgium increased its market share to 32% at the end of the third quarter of 2007 from 25% in the corresponding period in 2006. Comparing the first nine months of 2007 with the same period in 2006, Fortis Insurance Belgium grew 36% in Individual Life, while the market excluding Fortis Insurance Belgium decreased by 1%.

Total individual life inflow through the banking channel increased 15% to EUR 3,571 million in 2007 from EUR 3,103 million in 2006, due to a record inflow in the first half of 2007 and the Summer Heat campaign. Inflow in savings increased 20%, mainly due to FIP Profit Plus, a principal protection product offering a higher profit-sharing potential with 0% guarantee.

Sales of individual unit-linked products through the banking channel increased by 7% compared with 2006 despite the volatile financial market environment. Growth was mainly attributable to safe funds, which implemented a loss-limiting investment approach as they switched from shares to cash when stock markets declined based on a dynamic asset allocation model.

Sales through the broker channel increased 10% to EUR 1,609 million in 2007 from EUR 1,462 million in 2006. The increase was attributable to savings-products, which grew 16% compared with 2006. Growth at the broker channel was driven mainly by certain savings products, most of which are principal protection products.

Group life insurance inflow increased 7% to EUR 970 million in 2007 from EUR 904 million in 2006. Single premiums increased by 18% (from EUR 3,164 million to EUR 3,741 million) while regular premiums increased by 3% (from EUR 1,191 million to EUR 1,230 million). In addition to significant inflows from new clients, Fortis Insurance Belgium benefited from the strong growth of Ascento Deposit, a recently launched capitalization product.

Profit before income tax. Despite a 12% increase in gross inflow, which included volume growth in both Individual and Group Life, the technical result at Life decreased by EUR 82 million to EUR 242 million in 2007 from EUR 324 million in 2006, largely due to the impact of turmoil on the capital markets (which reduced investment income by EUR 102 million). The 2006 technical result benefited from the realization of a large, one-off real estate development project.

Net profit. Net profit at Life was EUR 425 million, in 2007, compared with EUR 434 million in 2006. The decrease in net profit was attributable to the lower technical result, which was largely offset by event-driven capital gains, equity sales triggered by protection techniques ("**CPPI model**"), (see Risk Management—Market Risk in Insurance—ALM risk: Currency risk") and the positive tax effect ensuing from the capital gains mix (a tax benefit of EUR 3 million in 2007 and a tax-expense of EUR 93 million in 2006.

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 was in contrast with a decline in inflow experienced by the Belgian individual life insurance market in 2006. According to Assuralia's 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 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 percent 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 was the leader in group life second-pillar insurance.

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.

Insurance Belgium Life — Embedded Value and Value Added by New Business

	2007	2006	2005 (traditional based)
		(EUR million) (unaudited)	
EEV before dividend payment	5,834	5,406	4,405
VANB	207	240	164
PVNBP	5,305	5,169	4,837

2007 Compared to 2006

The EV (before dividends) of Fortis Insurance Belgium rose 8% to EUR 5,834 million in 2007 compared with EUR 5,406 million in 2006, mainly due to a strong contribution of new business and the positive effect of increased interest rates, which more than offset the underperformance of capital markets. Measured on a market consistent methodology, VANB increased by 9% to EUR 207 million in 2007 from EUR 189 million in 2006. The increase was mainly driven by increased sales of savings products, both through the bank and broker channel.

2006 Compared to 2005

The EV (before dividends) of Insurance Belgium rose 23% to EUR 5,406 million in 2006 compared with EUR 4,405 million in 2005.

The market consistent VANB increased to EUR 189 million or 15% compared to 2005, because of other adjustments, notably the reduction in the cost of capital. New business margin (VANB divided by PVNBP) was 3.66% in 2006. 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.

Insurance Belgium — Non-Life

	Year Ended December 31,			2007 vs. 2006 Change	2006 vs. 2005 Change
	2007	2006	2005		
	(EUR million)				
Gross written premiums	1,367	1,269	1,164	8%	9%
Technical result	118	129	139	(9)%	(7)%
Allocated capital gains	20	22	5	(10)%	—
Operating margin	138	151	144	(11)%	5%
Non-allocated other income and charges	1	17	(4)	(94)%	—
Profit before income tax	139	168	140	(17)%	20%
Income tax	(40)	(48)	(43)	(17)%	12%
Minority interests	1	1	1	0%	—
Net profit	98	119	96	(18)%	24%
Non-Life total:					
Claims ratio	63.7%	61.6%	60.2%	—	—
Expense ratio	36.7	37.4%	36.9%	—	—
Combined ratio	100.4%	99.0%	97.1%	—	—
Property & Casualty:					
Claims ratio	57.0%	52.7%	52.3%	—	—
Expense ratio	42.2%	43.1%	42.2%	—	—
Combined ratio	99.2%	95.8%	94.5%	—	—
Accident & Health:					
Claims ratio	80.1%	83.3%	79.8%	—	—
Expense ratio	23.2%	23.6%	23.6%	—	—
Combined ratio	103.2%	106.9	103.4%	—	—

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,			2007 vs. 2006 Change	2006 vs. 2005 Change
	2007	2006	2005		
	(EUR million)				
Accident & Health	393	366	331	7%	11%
Property & Casualty	974	903	833	8%	8%
Total	1,367	1,269	1,164	8%	9%

2007 Compared to 2006

Gross written premiums at Non-life increased by 8% to EUR 1,367 million in 2007 from EUR 1,269 million in 2006, mainly due to the motor and fire business lines. This increase was achieved while maintaining sound underwriting and pricing practices. Assuralia data published in December 2007 show that the Non-life business outperformed the market's growth. During 2007, Fortis Insurance Belgium's Non-life business grew by 8%. Consequently, Fortis Insurance Belgium increased its market share from 13.7% at the end of 2006 to 14.2% at the end of 2007.

Non-life gross written premiums through the banking channel increased by 6% to EUR 198 million in 2007. Non-life products sold through the broker channel increased by 9% to EUR 861 million in 2007 from EUR 790 million in 2006. The innovative product range, with flexible multi-cover concepts such as "Familis" and "Modulis", and "Packs" for the retail and SME markets, which offer extended insurance cover for a specific group of risks for a small additional premium, strongly supported this growth. As of December 31, 2007, the Modulis portfolio consisted of 60,300 files (7,900 files were added during 2007), which represents 229,400 policies with an average of 2.3 insurance covers per file. As of December 31, 2007, Fortis Familis' portfolio amounted to 382,900 files (of which 53,200 were added during 2007), representing 883,300 policies. The generic Packs, launched at the end of 2004 ("Pack Auto+" and "Pack Woning+"), continued to be very successful. A number of new Packs were officially launched during the broker road shows in December 2006, such as the "Safety Pack" and "Building Pack". In 2007, a number of specific packs were launched both for the retail and SME market (such as "Pack Dentist" and "Pack Backery"). At year-end 2007, the number of Packs in portfolio stood at 170,000 (net growth of 80,000 Packs over 2007).

Profit before income tax. The technical result at Non-life decreased 9% to EUR 118 million in 2007 from EUR 129 million in 2006 due to Windstorm Kyrill (EUR 45 million pre-tax impact). Excluding Windstrom Kyrill, the technical result would have increased from EUR 128 million in 2006 to EUR 162 million in 2007, due to volume growth and operational excellence.

Net profit. Net profit at Non-Life decreased by EUR 21 million from EUR 119 million in 2006 to EUR 98 million in 2007, due to the impact of Windstrom Kyrill.

The combined ratio at Non-life, including Workmen's Compensation, was 100.4%, compared with 99.0% in 2006, and was severely affected by Windstorm Kyrill. Excluding the impact of Windstrom Kyrill, the combined ratio would have been 94.2%.

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 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.

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,					
	2007		2006		2005	
	Accident & Health	Property & Casualty	Accident & Health	Property & Casualty	Accident & Health	Property & Casualty
	(EUR million)					
Insurance Belgium	—	—	—	—	—	—
Technical Result	50	68	39	90	47	92

Insurance Netherlands

The following tables set forth selected summary financial information for Insurance Netherlands for the periods indicated.

	Year Ended December 31,			2007 vs. 2006	2006 vs. 2005
	2007	2006	2005	Change	Change
		(EUR million)			
Gross inflow					
Life[(1)]	3,108	3,437	2,635	(10)%	30%
Non-Life	2,111	1,943	1,968	9%	(1)%
Technical result	113	548	516	—	6%
Life	(86)	276	293	—	(6)%
Non-Life	199	272	223	(28)%	22%
Operating Margin	473	596	605	(21)%	(1)%
Life	230	315	355	(27)%	(11)%
Non-Life	243	281	250	(14)%	12%
Non-allocated other income and expense	543	214	146	—	47%
Profit before taxation and minority interests	1,016	810	751	25%	8%
Income Tax	111	(179)	(214)	—	(16)%
Minority interests	16	7	3	—	—
Net profit	889	624	534	42%	17%
Operating leverage[(2)]	—	(0.5)%	6.9%	—	—
Operating costs	(561)	(553)	(556)	1%	(1)%

(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.

2007 Compared to 2006

Revenues. Life gross written premiums decreased by 10% from EUR 3,437 million in 2006 to EUR 3,108 million in 2007. All insurance contracts written in The Netherlands are treated as insurance policies under IFRS. 2006 was favorably impacted by an exceptional group Life contract of EUR 710 million. If this contract is excluded gross written premiums would have increased by 14%. Non-Life gross written premiums increased from EUR 1,943 million in 2006 to EUR 2,111 million in 2007. Higher business volumes at Life were attributable to pension-related contracts, higher business volumes at Non-Life were principally due to Accident & Health entering new markets.

Operating costs in 2007 increased slightly by 1% despite investments in growth initiatives, such as new concepts of multi-channel distribution. Investments were also made in IT and processes in order to comply with the changing regulatory environment, such as the implementation of the Pension Act 2007 at Group Life.

The number of FTEs increased 10% from 4,210 at the end of 2006 to 4,626 at the end of 2007, partly due to the inclusion of employees of SOS International (118 FTEs) as from the first quarter of 2007 and the filling of vacancies.

Net profit. Net profit at Fortis Insurance Netherlands increased 42%, from EUR 624 million in 2006 to EUR 889 million in 2007, due to higher result at Life. Both Life and Non-Life profited from a significantly higher investment result due mainly to higher capital gains on equity. Higher investment result at Life in 2007 offset the impact of the turmoil on the global capital markets and additional liabilities related to unit-linked policies. Non-Life was also affected by the global capital markets turmoil and by Windstorm Kyrill in early 2007.

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.

Insurance Netherlands — Life

	Year Ended December 31,			2007 vs. 2006 Change	2006 vs. 2005 Change
	2007	2006	2005		
		(EUR million)			
Gross earned premiums[(1)]	3,108	3,437	2,635	(10)%	30%
Technical result	(86)	276	293	—	(6)%
Allocated capital gains	316	39	62	—	(37)%
Operating margin	230	315	355	(24)%	(11)%
Non-allocated other income and charges	511	198	74	—	168%
Profit before income tax	741	513	429	44%	20%
Income tax	(67)	(101)	(122)	(34)%	(17)%
Minority interests	16	7	3	—	133%
Net profit	658	405	304	62%	33%

(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,		
	2007	2006	2005
	(EUR million)		
Regular premiums	1,746	1,772	1,686
Single premiums	1,362	1,666	949
Annualized premium equivalent (APE)	313	275	250
Value Added by New Business(1)	77	50	45

(1) Based on a market consistent approach.

2007 Compared to 2006

Revenues. Gross earned premiums at Life rose 14% to EUR 3,108 million in 2007 (after excluding the Group Life co-assurance contract of EUR 710 million received in 2006) from EUR 2,727 million in 2006. Including the group contract Life gross earned premiums declined by 10%. The increase in gross earned premiums was driven mainly by Group Life (almost doubling inflow to EUR 754 million in 2007, excluding the significant one-time premium received in 2006), which benefited from the strategy of focusing on the pension business as a key area. Individual Life premiums, for regular as well as single premiums, remained stable compared with 2006.

A number of initiatives were taken to support growth. The new pension organization, which now handles both the administration and marketing and sales activities, concluded several new large pension-related contracts. Fortis Insurance Netherlands increased its market share of new regular individual Life policies gradually over the year from 15.1% in 2006 to 16.9% in 2007. A successful marketing campaign – the “sixties campaign” (focusing on maturing policies of older clients) – contributed to further growth. Ardanta, a specialist label in funeral insurance, entered the Belgium market in 2007, benefiting from the distribution experience of Fortis Bank Belgium. The Dutch market for unit-linked products was affected by the debate on transparency of unit-linked products, which significantly reduced the market’s appetite for unit-linked products.

In line with market developments in The Netherlands, new mortgage production was below the level of 2006. The refinancing market in particular was adversely impacted by rising interest rates, resulting in lower new business volumes. In addition, Fortis Insurance Netherlands declined to compete on unprofitable underwriting in a competitive market. As a result, the production of new mortgages was 33% lower than in 2006. This had a negative impact on the production of mortgage-related Life insurance products, resulting in lower regular new business premiums.

Profit before income tax. The technical result decreased from a profit of EUR 276 million in 2006 to a loss of EUR 86 million negative in 2007. This drop was caused by the global capital markets turmoil (EUR 151 million before taxes) and additional liabilities related to unit-linked policies.

Net profit. Net profit increased 62% to EUR 658 million in 2007, from EUR 405 million in 2006 mainly due to exceptionally high net capital gains on equity resulting from capital gains triggered by portfolio protection techniques (“**CPPI**”) (see “Risk Management—Market Risk in Insurance—ALM risk: Currency risk”) and market events.

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.

Insurance Netherlands Life — Embedded Value and Value Added by New Business

	2007	2006	2005
		(EUR million) (unaudited)	
EEV before dividend payment	6,709	6,802	6,016
VANB	77	85	45
PVNBP	2,777	2,344	2,044

2007 Compared to 2006

Fortis Insurance Netherlands' market consistent EV (before dividends) increased by 1% to EUR 6,709 million in 2007 due to higher interest rates, favorable development in cost assumptions and the contribution of VANB.

On a market consistent basis the VANB decreased by 9% from EUR 85 million in 2006 to EUR 77 million in 2007. Volumes (sales, APE) and VANB improved in all product lines except in Individual unit-linked. As a result of market circumstances relating to unit-linked products, sales decreased which resulted in a drop in VANB.

2006 Compared to 2005

The EV (before dividends) increased by 13% to EUR 6,802 million in 2006. All components, including VANB, expected return and better than anticipated results from investments, contributed to this result.

On a market consistent basis, the VANB increased to EUR 85 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. Measured on a traditional basis, the 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.

Insurance Netherlands — Non-Life

	Year Ended December 31,			2007 vs. 2006 Change	2006 vs. 2005 Change
	2007	2006	2005		
	(EUR million, except %)				
Gross written premiums	2,111	1,944	1,969	9%	(2)%
Technical result	199	272	223	(27)%	22%
Allocated capital gains	44	9	27	—	(68)%
Operating margin	243	281	250	(14)%	12%
Non-allocated other income and charges 16	33	16	72	—	(78)%
Profit before income tax and minority interests	275	297	322	(7)%	(8)%
Income tax	(44)	(78)	(92)	44%	(15)%
Minority interests	0	0	0	—	—
Net profit	231	219	230	5%	(5)%
Non-Life total:					
Claims ratio	59.2%	55.8%	57.3%		
Expense ratio	33.3%	34.8%	34.9%		
Combined ratio	92.5%	90.6%	92.2%		
Property & Casualty:					
Claims ratio	54.5%	53.4%	52.8%		
Expense ratio	44.7%	44.1%	42.4%		
Combined ratio	99.1%	97.5%	95.2%		
Accident & Health:					
Claims ratio	63.8%	58.6%	62.4%		
Expense ratio	22.2%	23.9%	26.4%		
Combined ratio	86.0%	82.5%	88.8%		

8 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.

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,		
	2007	2006	2005
	(EUR million)		
Accident & Health	1,130	966	993
Property & Casualty	981	978	976
Total	2,111	1,944	1,969

2007 Compared to 2006

Revenues. Gross written premiums increased by 9% to EUR 2,111 million in 2007 from EUR 1,944 million in 2006 mainly due to Fortis Insurance Netherlands entering new markets. All major business lines contributed to this increase (accident & health grew 17%, motor grew 1% and fire grew 2%), due to successful marketing campaigns, new distribution models (internet and direct distribution) and several new features resulting from product innovation. An example is "contract manager", a digital tool that offers brokers and employers a total overview of all pension (Life) and income protection (Non-life) insurance policies and the option to manage their portfolio simply and efficiently.

The growth of the accident & health business was consistent with Fortis Insurance Netherlands' strategy and driven mainly by the income-protection specialist label De Amersfoortse. Several marketing campaigns, like the "three-in-one" promotion (similar to the pack products in Belgium) increased new business volumes. The three-in-one campaign sets out for employers and their intermediaries the convenience, financial benefits and service offered by the combination of three employer products for sickness benefit insurance ("*verzuimverzekering*"), disability insurance for companies who bear the risk for partially disabled employees ("*WGA Eigen Risico*") and recovery and reintegration services for sick/disabled employees ("*arbeidsdienstverlening*"). In the privatized long-term disability market, Fortis Insurance Netherlands captured a major share of the businesses that opted for private WGA insurance. Lapses decreased in individual disability, largely owing to a retention program. Without lowering margins, market share was regained in the medical expenses market. Premiums in property & casualty, especially in motor, were under pressure in 2007 due to aggressive pricing strategies which kept premiums flat year on year.

Net profit before income tax. The technical result at Non-life decreased 27% to EUR 199 million in 2007 from EUR 272 million in 2006. The lower result was due to the impact of Windstorm Kyrill in the first quarter (EUR 19 million before taxes), the impact of the global capital markets turmoil in the second half of 2007 (EUR 36 million before taxes), a higher number of fire claims in 2007 and the effect of relatively low entrance premiums in the newly privatized long-term disability market of WGA Eigen Risico. In anticipation of the full privatization of the WGA expected in the future and cross-sell opportunities with other areas (such as sickness benefit insurance, WGA shortfall insurance, WIA top-up insurance and pensions), we consider it important to have a sizeable share of the employers' market. The investments required to compete with the public Employee Insurance Administration ("**UWV**") could lead to long-term profitability, provided that they can be combined with effective claims control.

A sustained strong commercial performance, reflected in higher business volumes, combined with strict cost control helped decrease the expense ratio at Non-life from 34.8% in 2006 to 33.3% in 2007. The claims ratio increased from 55.8% in 2006 to 59.2% in 2007 due to several factors influencing the technical result, such as Windstorm Kyrill. The combined ratio was 92.5% compared with 90.6% in 2006.

Net profit. Net profit in Non-life 2007 increased 5% to EUR 231 million in 2007 from EUR 219 million in 2006. Higher capital gains and a lower average tax rate more than offset the negative impact of Windstorm Kyrill and the global capital markets turmoil.

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 implemented in the years prior to 2006 and controlled cost growth 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 repeated 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.

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,					
	2007		2006		2005	
	Accident & Health	Property & Casualty	Accident & Health	Property & Casualty	Accident & Health	Property & Casualty
	(EUR million)					
Insurance Netherlands						
Technical result	169	30	192	80	146	77

Insurance International

The following table sets forth selected summary financial information for Insurance International for the periods indicated.

	Year Ended December 31,			2007 vs. 2006 Change	2006 vs. 2005 Change
	2007	2006	2005		
		(EUR million)			
Gross inflow Life	3,911	3,214	3,567	22%	(10)%
Non-Life	2,005	1,820	1,642	10%	11%
Technical result	76	210	175	(64)%	20%
Life	74	38	0	95%	—
Non-Life	2	172	175	(99)%	(2)%
Operating Margin	106	214	206	(50)%	4%
Life	99	40	25	—	60%
Non-Life	7	174	181	(96)%	(4)%
Non-allocated other income and charges	86	129	90	(33)%	43%
Profit before taxation	192	343	296	44%	16%
Income Tax	(35)	(70)	(69)	(50)%	1%
Net gain on discontinued operations(2)	1,013	—	—	—	—
Minority interests	42	30	24	40%	25%
Net profit	1,128	243	203	—	20%
Operating leverage(1)	68.3%	(4.6)%	31.3%	—	—
Operating costs	(462)	(411)	(353)	12%	16%

(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.

(2) CaiFor has been reclassified to Discontinued operations; figures for 2006 and 2007 are now reported excluding CaiFor.

2007 Compared to 2006

Revenues. Gross inflow at life for the consolidated companies increased 22% to EUR 3,911 million in 2007 from EUR 3,214 million in 2006. This increase was attributable to various growth initiatives such as continued successful product development under the Freedom of Services Act in Luxembourg, bancassurance sales in France, gain of market share in the UK, and completion of the PCI acquisition in Hong Kong (re-branded Fortis Insurance Company Asia (FICA)). Gross inflow at the non-consolidated joint ventures (on a 100% basis) increased by 24% to EUR 2,683 million in 2007, driven by growth in China and Thailand.

Operating costs increased 12% to EUR 462 million in 2007 from EUR 411 million in 2006, due mainly to the inclusion of newly acquired companies in Europe and Asia.

Net profit. Net profit for 2007 was exceptionally high because of the capital gain on the CaiFor divestment (EUR 947 million). Excluding this capital gain, net profit was EUR 181 million in 2007 compared with EUR 243 million in 2006. Net profit for the period at Life increased 98% to EUR 119 million in 2007 from EUR 60 million in 2006. The cost of investments in new European markets were offset by overall growth in funds under management to EUR 20.1 billion in 2007, a higher profit contribution from Asian joint ventures and the consolidation of newly acquired FICA (as from May 2007). Natural disasters (Windstorm Kyrill in the first quarter and floods in the United Kingdom in June and July) severely depressed Fortis Insurance International's Non-Life net profit for the period, which was EUR 38 million in 2007 compared with EUR 152 million in 2006.

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.

Life

Life Insurance International — Life

	Year Ended December 31,			2007 vs. 2006 Change	2006 vs. 2005 Change
	2007	2006	2005		
		(EUR million)			
Gross earned premiums	1,611	1,357	1,482	19%	(8)%
Investment contracts without DPF[1]	2,300	1,857	2,084	24%	(11)%
Gross inflow[2]	3,911	3,214	3,566	22%	(10)%
Technical result	74	38	—	95%	—
Allocated capital gains	25	2	25	—	(92)%
Operating margin	99	40	25	—	60%
Non-allocated other income and charges	46	78	50	(41)%	56%
Profit before income tax and minority interests	145	118	75	23%	57%
Income tax	(26)	(10)	(9)	—	11%
Result on discontinued operations	826				
Minority interests	33	23	14	43%	64%
Net profit before results on divestments	139	—	—	—	—
Results on divestments	773	—	—	—	—
Net profit	912	85	52	—	63%
New business life — APE	478	387(2)	535	(13)%	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.

(2) CaiFor has been reclassified to Discontinued operations; figures for 2006 and 2007 periods are now reported excluding CaiFor.

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,		
	2007	2006	2005
		(EUR million)	
Regular premiums	665	496	462
Single premiums	945	862	1,020
Annualized premium equivalent (APE)	478	550	535
Value Added by New Business(1)	62(2)	84	91

(1) Based on a market consistent approach.

(2) Restated to eliminate CaiFor.

2007 Compared to 2006

Revenues. Total gross inflow at fully consolidated Life companies increased by 22% from EUR 3,214 million in 2006 to EUR 3,911 million in 2007. The strategy to develop innovative products, aligned to a multi-channel distribution approach, was successful in all countries and contributed significantly to inflow. Millenniumbcp Fortis in Portugal increased penetration rates among clients of the bank distribution partner. Despite a market decline of 3%, 19% inflow growth was achieved in France on a bancassurance distribution agreement with Fortis Bank, now including Fortis Private Banking. Growth under the Freedom of Services Act compensated for lower bancassurance results in Luxembourg. FICA in Hong Kong and other new European markets contributed EUR 225 million and EUR 77 million respectively in 2007.

Total Life gross inflow at Life companies reported using the equity method (on a 100% basis) (all Asian, since the CaiFor joint venture in Spain was sold), increased 27% to EUR 2,380 million in 2007 from EUR 1,878 million in 2006 (after excluding the previous contribution of CaiFor sold in 2007). Among the Asian joint ventures, TaiPing Life was the largest contributor, posting growth of 38%.

The technical result increased from EUR 38 million in 2006 to EUR 74 million in 2007 reflecting a continued focus on profitability.

Net profit. Net profit at Life (excluding the net gain on discontinued operations) increased 132% to EUR 86 million in 2007 from EUR 37 million in 2006, due to overall higher funds under management and the consolidation of FICA in Hong Kong.

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.

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.

	2007	2006	2005 (traditional based)
		(EUR million) (unaudited)	
EEV before dividend payment	1,021	1,313	1,160
VANB	62	103	91
PVNBP	2,766	3,822	3,346

2007 Compared to 2006

The market consistent EV of Fortis Insurance International decreased by 22% to EUR 1,021 million, due to the sale of CaliFor. However, after opening adjustments and restated for the sale of CaiFor, the VANB increased by 11% to EUR 1,021 million in 2007 before dividends paid, mainly driven by the VANB and higher interest rates.

The VANB, restated for CaiFor, increased by 18% to EUR 62 million in 2007 resulting from higher volumes in unit-linked policies and in term business, a better product design in Portugal and the contribution of the bank channel in France.

2006 Compared to 2005

The EEV of Fortis Insurance International (before dividends) increased by 19% to EUR 1,313 million in 2006, driven by VANB and high investment returns.

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%. On a traditional basis, the VANB 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.

Non-Life

Insurance International — Non-Life

	Year Ended December 31, 2007	2006	2005	2007 vs. 2006 Change	2006 vs. 2005 Change
	(EUR million, except %)				
Gross written premiums	2,005	1,820	1,642	10%	11%
Technical result	2	172	175	(99)%	(2)%
Allocated capital gains	5	2	6	—	(67)%
Operating margin	7	174	181	(96)%	(4)%
Non-allocated other income and charges	40	51	40	5%	(5)%
Profit before income tax	47	212	221	(78)%	(4)%
Income tax	(9)	(60)	(60)	(85)%	0%
Net gain on discontinued operations[1]	187	13	—	—	—
Minority interests	9	7	10	29%	(30)%
Net profit	216	158	151	37%	5%
Non-Life total:					
Claims ratio	79.5%	67.1%	67.7%		
Expense ratio	28.7%	33.0%	32.4%		
Combined ratio	108.2%	100.1%	100.1%		
Property & Casualty:					
Claims ratio	80.9%	67.5%	68.1%		
Expense ratio	28.7%	33.3%	32.4%		
Combined ratio	109.6%	100.8%	100.5%		
Accident & Health:					
Claims ratio	67.0%	64.3%	64.6%		
Expense ratio	28.9%	30.7%	32.2%		
Combined ratio	95.9%	95.0%	96.8%		

(1) Related to CaiFor.

2007 Compared to 2006

Gross written premiums at consolidated Non-Life companies increased 10% to EUR 2,005 million in 2007 from EUR 1,820 million in 2006. The increase was primarily due to increased sales in the UK and commercial premium growth at FCI (mainly in marine and liability).

Continuously rising average premiums and a growing number of insured cars further strengthened the UK market position. Gross written premiums at Non-Life companies reported using the equity method (consolidated on a 100% basis) increased by 5% from EUR 289 million in 2006 to EUR 303 million in 2007.

Windstorm Kyrill and the impact of floods in the UK in June and July of 2007 depressed the technical result (in motor and fire) to EUR 2 million in 2007 from EUR 172 million in 2006. Both natural disasters decreased Non-Life net profit to EUR 42 million in 2007 compared with EUR 157 million in 2006.

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%.

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,					
	2007		2006		2005	
	Accident & Health	Property & Casualty	Accident & Health	Property & Casualty	Accident & Health	Property & Casualty
	(EUR million)					
Insurance International						
Technical result	13	(11)	12	160	16	159

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. In 2007, 2006 and 2005 Caifor was accounted for on an equity basis.

2007 Compared to 2006

Fortis Insurance UK continued to post strong growth in 2007. Gross written premiums increased by 10% from EUR 1,010 million in 2006 to EUR 1,107 million in 2007, driven by significant growth in private cars insured (up 14% in 2007) and continued development of other product lines. Commercial lines growth in the small business market grew by 10%. Retail revenues increased 12%. Total broker premium income increased to EUR 137 million. The number of customers insured by Fortis in the UK exceeded 6.5 million in 2007.

Fortis Corporate Insurance (FCI) is a leading player in the market of mid-sized corporate risks in the Benelux. FCI performed well in 2007, despite a softening market, the impact of Windstorm Kyrill and a higher claims frequency in fire. Premiums increased by 10% to EUR 656 million in 2007 from EUR 597 million in 2006. Growth in marine and liability compensated for lower volumes in fire. Though higher than in 2006, the net combined ratio remained favorable at 94%. FCI further supported its international expansion by opening a branch office in Paris, which has been fully operational since January 1, 2008. In August 2007, Fitch confirmed an A+ rating and in September 2007 Standard & Poor confirmed an A rating, both with a stable outlook.

Fortis Assurances Luxembourg gross inflow increased to EUR 1,372 million in 2007 from EUR 1,323 million in 2006. In the local market the fourth quarter was in line with the previous quarters with an above-average performance of director & officers liability and Group Life. Fire's decline in market share was reversed with the launch of a new product in September 2007.

In the international market, gross premiums written under the Freedom of Services Act grew 7% in the fourth quarter, resulting in total premium income of EUR 1,352 million in 2007. The performance was particularly strong in the French market. Fortis Assurances Luxembourg restructured its internal organization, focusing specifically on future business development, and hired new people for the Sales Support Team and the front office for different strategic markets. Fortis Assurances Luxembourg expects further expansion in 2008.

Millenniumbcp Fortis in Portugal (Fortis's stake: 51.00%) achieved above-market sales growth in 2007, both at Life and Non-Life, thereby consolidating its number two ranking in the Portuguese domestic market. Pensõesgere also reinforced its market leadership in Pension Funds.

Product-market innovation was the key to success of the company's strategy, contributing to an 18% growth in gross inflow and an increase in profitability. Twelve new investment products were launched (unit-linked, savings and pension plans) during 2007. Millenniumbcp Fortis's total assets under management increased 6% to EUR 10 billion in 2007 from EUR 9.1 billion in 2006. Major steps towards operational excellence were taken in 2007, leading to improved levels of satisfaction for both the customers and the banking branch sales force. Rating agency Fitch gave Ocidental Vida, Ocidental Seguros and CPSS (MEDIS) A+ ratings and stable outlooks. These ratings were awarded based on Millenniumbcp Fortis's solid stand-alone position in the Portuguese market, its good profitability and strong capitalization.

The foundations of multi-channel expansion were established in 2007 with the preparation of a new corporate Non-Life channel launched in early 2008. A tailored product offering will be marketed through a range of carefully selected agents and brokers.

Fortis Assurances France recorded EUR 517 million in gross written premiums, representing an increase of 19% compared with 2006, while the French Life insurance market decreased by 3% in 2007. The successful partnership with Fortis Bank and the growth of the tied agency network contributed to this increase, as did the development of a new product range for Fortis Assurances France's networks. Over 65% of new production was generated through these new products. The productivity of the agent network grew by 10% in 2007.

Taiping Life ("**TPL**") in China (Fortis's stake 24.90%) increased its gross inflow from EUR 1,120 million in 2006 to EUR 1,548 million in 2007, mainly due to the re-introduction of unit-linked products as booming financial markets increased the market's appetite for investment products. TPL's growth rate of 38% is the second fastest among the six major Life insurers in China. The company is expanding faster than the market, and its market share grew from 2.7% to 3.2% at the end of last year. TPL currently ranks number six in the Life insurance market. TPL's ongoing focus on shifting its business mix towards regular premium products continued to perform well as regular premiums increased upwards of 63% compared with 2006. Since the end of 2006, the tied agency sales force has grown from 26,400 to more than 40,000. The number of branches and sales offices is nearly 450. Assets under management surpassed EUR 4 billion in 2007.

Fortis Insurance Company Asia ("**FICA**"), the newly acquired insurance company in Hong Kong, contributed EUR 226 million to gross inflow over the period May to December 2007. Despite a turbulent period, FICA managed to increase sales and retain key staff and agent teams attributable to new business sales due to an internal campaign. The number of agents grew from 2,031 in 2006 to 2,698 at the end of 2007. FICA maintained its top 10 position in terms of new business, with a market share of 2.5%.

Mayban Fortis in Malaysia (Fortis's stake 30.95%), posted stable premium income of EUR 800 million in 2007. The company underwent a major transition in 2007 with the integration of the combined multi-channel organization. The launch of Etiqa finalized the merger with Malaysia National Insurance Holdings. All these achievements are expected to produce strong results in 2008 and healthy growth rates. Assets under management surpassed EUR 4 billion in 2007.

Muang Thai-Fortis in Thailand (Fortis's stake 40.00%) continued to grow strongly with gross inflow increasing 45% in 2007 compared with 2006. The company is ranked the second largest bancassurance player in Thailand and the fourth largest Life insurer, with an overall market share of 6.8% compared with 5.8% at the end of 2006. The number of bank sales agents grew rapidly to over 350 in

2007, more than double the figure at the beginning of 2006. New distribution channels, such as direct response marketing, are being prepared for introduction in 2008. Non-Life gross inflow increased 24% to EUR 49 million, mainly due to the motor business. This growth is attributable to more aggressive marketing of existing agents and motor partners, recruitment of agents from the competition and a contract with a large broker. Assets under management surpassed EUR 1 billion in 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**") 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 reforms (including 18% taxation on 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.

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 fueled 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.

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,			2007 vs. 2006	2006 vs. 2005
	2007	2006	2005	Change	Change
		(EUR million)			
Insurance premiums	(96)	(77)	(74)	25%	4%
Net interest Income	(413)	(226)	(233)	83%	(3)%
Net commissions and fees	(19)	—	—	—	—
Realized capital gains (losses)	25	(15)	437	—	—
(Un)realized gains (losses)	104	40	57	—	(30)%
Dividend and other investment income	(16)	(1)	(3)	—	67%
Other income	(117)	(120)	(59)	(3)%	—
Total revenues	(549)	(399)	125	(38)%	—
Change in provisions for impairment	—	—	—	—	—
Net revenues	(549)	(399)	125	(38)%	—
Technical charges	185	161	162	(15)%	(1)%
Staff expenses	(62)	(49)	(53)	27%	(8)%
Other operating and administrative expenses	61	28	5	—	—
Total expenses	184	140	114	(31)%	(23)%
Profit before income tax	(365)	(259)	238	(41)%	—
Income tax	59	52	43	(13)%	(21)%
Net profit before minority interests	(306)	(207)	282	(48)%	—
Minority interests	2	11	(0)	(82)%	—
Net profit	(308)	(218)	282	(41)%	—
Results on divestments	—	—	(443)	—	—
Net profit before results on divestments	(308)	(218)	(161)	(41)%	(35)%

2007 Compared to 2006

The net negative result increased EUR 91 million to EUR 308 million in 2007 from EUR 217 million in 2006.

Major positive contributors to the variance included the EUR 128 million capital gain realized in 2007 on the sale of an equity stake, positive eliminations on treasury shares, and higher tax credits. Negative contributors include the EUR 89 million elimination of part of the realized capital gains on ABN AMRO shares, lower favorable fair-value changes in the Assurant Mandatory Exchangeable Bond (“**MEB**”), the absence of one-time EUR 83 million surrender penalties that contributed positively to the 2006 results and increased financing charges.

Fortis’s stake in the ABN AMRO holding structure amounts to 33%. Accordingly, the capital gains realized on ABN AMRO in the insurance segment have been eliminated proportionately. The fair value changes in the MEB reflect mainly time value changes. Higher financing charges are attributable to the acquisition of Fortis Bank Insurance shares from Fortis Bank Belgium in the context of the Fortis Insurance Belgium merger. The merger and the related share transfer occurred on the last day of the first quarter of 2006. Accordingly, the transaction negatively impacted net interest income only in the last three quarters of 2006, but negatively affected net interest income for the whole of 2007.

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.

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.

Supervision and solvency

As a financial institution, Fortis is subject to regulatory supervision. Fortis is supervised at Fortis consolidated level and at the level of the individual operating companies.

At the Fortis consolidated level, Fortis is supervised jointly by the Belgian Banking, Finance and Insurance Commission ("**BFIC**") and the Dutch Central Bank ("**DNB**"). Their prudential supervision includes verification on a semi-annual basis that Fortis meets the solvency requirements of each different financial sector represented within Fortis. The elements of own funds and the solvency requirements for the Banking and Insurance activities are calculated in accordance with the corresponding sector rules. Fortis has been identified as a financial conglomerate and is subject to the supplementary supervision of credit institutions, insurance undertakings and investment firms in a financial conglomerate as provided for in the EU Directive 2002/87/EC.

The supplementary capital adequacy requirements demand that the own funds of the financial conglomerate calculated on the basis of the consolidated position of the group exceed the sum of the solvency requirements for each different financial sector represented in the group. Fortis met all requirements in 2007 as well as in 2006 and 2005.

Fortis's Banking subsidiaries are subject to the regulations of the various supervisory authorities in the countries where the subsidiaries operate. These guidelines require the Banking subsidiaries to maintain a minimum level of qualifying capital relative to the on- and off-balance sheet credit commitments and the bank's trading positions. The positions and credit commitments are weighted according to the level of risk involved (risk-weighted commitments). The requirement for total qualifying capital must be maintained at a minimum of 8% of risk-weighted commitments.

	2007	2006	2005
Bank			
Total risk bearing capital	27,231	26,664	22,210
Risk-weighted commitments	270,207	240,104	212,095
Tier 1 ratio	9.5%	7.1%	7.4%
Total capital ratio	10.1%	11.1%	10.5%

Fortis's insurance subsidiaries are required to maintain a minimum level of qualifying capital relative to the premiums received for Non-life insurance contracts and relative to the Life insurance liabilities arising from insurance and investment contracts. The consolidated regulatory solvency requirements of Fortis's insurance subsidiaries are EUR 4,108 million at December 31, 2007 (2006: EUR 3,689 million; 2005: EUR 3,395 million) and are largely covered by the available qualifying total capital.

Fortis has introduced a new target-based model to manage and communicate its solvency position as from 2007 onwards.

Core equity target

The three components of Fortis's core equity target are:

- A capital target for Fortis Bank equal to a 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 at 225% of the regulatory minimum, which includes 50% of hybrid capital. This implies a core equity target of 175% of the regulatory minimum.
- 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 15% of Banking and Insurance combined target core equity could be financed by group debt.

Fortis's core equity and total capital is composed as follows:

	Banking	Insurance	General (incl. eliminations)	Total
2007				
Share capital and reserves	32,235	3,399	(7,183)	28,451
Net profit attributable to shareholders	1,768	2,534	(308)	3,994
Unrealised gains and losses	(699)	1,225	76	602
Shareholders equity	33,304	7,158	(7,415)	33,047
Non-innovative hybrid capital instruments	2,756	—	2,927	5,683
Minority interests	429	676	42	1,147
Revaluation of real estate to fair value	—	1,556	—	1,556
Revaluation of debt securities, net of tax and shadow accounting	1,070	235	(17)	1,288
Revaluation of equity securities, net of tax and shadow accounting	(385)	(137)	(6)	(528)
Goodwill	(1,025)	(490)		(1,515)
Expected dividend	—	—	(1,313)	(1,313)
Other	(12,897)	(405)		(13,302)
Core equity	23,252	8,593	(5,782)	26,063
Innovative capital instruments	2,440	599	494	3,533
Extended core equity	25,692	9,192	(5,288)	29,596
Subordinated loans	15,582	757	(3,600)	12,739
Other prudential filters and deductions on total capital	(14,043)	(293)	—	(14,336)
Total capital	27,231	9,656	(8,888)	27,999

	Banking	Insurance	General (incl. eliminations)	Total
2006				
Share capital and reserves	12,593	4,021	(4,350)	12,264
Net profit attributable to shareholders	3,149	1,420	(218)	4,351
Unrealised gains and losses	924	2,922	183	4,029
Shareholders equity	16,666	8,363	(4,385)	20,644
Non-innovative hybrid capital instruments	—	—	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 tax and shadow accounting	(176)	(477)	(19)	(672)
Revaluation of equity securities, net of tax and shadow accounting	(721)	(234)	(12)	(967)
Goodwill	(749)	(268)		(1,017)
Expected dividend	(225)	(520)	(321)	(1,066)
Other	(490)	(392)	12	(870)
Core equity	14,503	8,615	(3,586)	19,532
Innovative capital instruments	2,438	600	493	3,531
Extended core equity	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

Participating interests that are not fully consolidated are deducted at a level equal to 50% from Core equity and 50% from Total capital. The amounts deducted include the investment by Fortis in parts of ABN AMRO through RFS Holdings, as this participation is currently accounted for using the equity method.

The key capital indicators of Fortis can be shown as follows:

	Year Ended December 31, 2007	Year Ended December 31, 2006
Fortis		
Core equity	26,063	19,532
Amount of core equity above target	6,171	1,799
Total capital	27,999	31,780
Minimum solvency requirements	25,725	22,898
Amount of total capital above minimum solvency requirements	2,274	8,882

Fortis's core equity and total capital is composed as follows:

Insurance Cash Flows

The condensed cash flow statement for the insurance operations is as follows:

	2007	2006	2005
		(EUR millions)	
Cash and cash equivalents, opening balance	2,240	2,421	2,877
Cash flow from operating activities	5,409	7,720	7,131
Cash flow from investing activities	(3,834)	(6,830)	(6,451)
Cash flow from financing activities	(1,488)	(1,072)	(1,138)
Exchange rate differences	(14)	1	2

Cash and cash equivalents, closing balance	2,313	2,240	2,421

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.

Bank Cash Flows

The condensed cash flow statement for the Banking operations are as follows:

	2007	2006	2005
		(EUR millions)	
Cash and cash equivalents, opening balance	20,792	25,594	24,835
Cash flow from operating activities	(11,556)	(13,624)	8,938
Cash flow from investing activities	(12,592)	(4,790)	(11,663)
Cash flow from financing activities	31,162	13,763	3,348
Exchange rate differences	(804)	(151)	136
Cash and cash equivalents, closing balance	27,002	20,792	25,594

The main elements of the operating cash flow of the bank are the net 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. Interbank funding accounted for 25% of Fortis Bank's total liabilities and equity at December 31, 2007 (2006: 26%; 2005: 27%). The saving deposits and deposits due to customers accounted for 35% of Fortis Bank's total liabilities and equity at December 31, 2007 (2006: 39%; 2005: 41%).

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.

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 would have been 6.6%, compared to 7.4% under Belgian GAAP, and the total capital ratio would have been 10.1% under IFRS, compared to 10.5% under Belgian GAAP.[8]

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 Directive.

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, 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 AMA for determining the capital requirements for operational risk as of January 1, 2008. Basel II became 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 somewhat 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 2007 the insurance activities hold EUR 61 billion in investments available for sale (primarily debt securities and equities at fair value), which represents more than 92% 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 85% of its customer loan book. Fortis Bank's liquidity is further enhanced by its available for sale investment portfolio (EUR 103 billion at December 31, 2007), which consists primarily of fixed-income securities at fair value.

At December 31, 2007 Fortis N.V. held no receivables to Fortis companies under intercompany lending arrangements (2006: nil; 2005: nil). At December 31, 2007 Fortis N.V. had EUR 54 million of available cash, compared to EUR 37 million end of 2006 and EUR 72 million in 2005.

At December 31 2007 Fortis SA/NV had EUR 55 million available in cash compared to EUR 41 million in 2006 and EUR 9 million in 2005.

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 utilizes the capital markets to raise funding, including the European commercial paper market and the Euro Medium Term Note market. At December 31, 2007, Fortis Finance had EUR 1.1 billion outstanding under its EUR 4 billion Euro commercial paper program. EUR 6.3 billion was outstanding under Fortis's 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, 2007, 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 utilizes a EUR 15 billion EMTN program for funding and capitalization on an opportunistic basis. Via Fortis Luxembourg Finance S.A., Fortis Bank also accesses 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)

Fortis publishes 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. The EEV Principles provide a framework intended to improve comparability and transparency in embedded value reporting across Europe. In complying with the EEV principles, 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 contracts in-force, including the value added by new business as sold in the reporting year. EV excludes any value attributable to the sale of future new business after the reporting year. The EV results are unaudited but the methodology and assumptions used in the calculation have been reviewed by an external reviewer. 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 Netherlands (Insurance Netherlands)
- Fortis Insurance Belgium (Insurance Belgium)
- Fortis Insurance International (Insurance International)
    - Fortis Assurances in France
    - Fortis Luxembourg-Vie in Luxembourg
    - Millenniumbcp Fortis in Portugal. In Fortis's Consolidated Financial Statements, Millenniumbcp Fortis is consolidated on a 100% basis, but is reported on a 51% basis for EV reporting in line with Fortis's holding.

Fortis EV excludes the life insurance business of FICA in Hong Kong, joint ventures in Asia, smaller entities in Insurance International not mentioned above and any insurance business or services related to ABN AMRO.

EV 2007 results

Embedded Value as calculated at 2007 year-end is set forth in the table below.

	Fortis	Insurance Belgium	Insurance Netherlands	Insurance International
		(EUR million) (unaudited)		
EV 2007 year-end	12,411	5,706	5,706	1,000
Total Shareholders' Equity	6,180	2,842	2,878	459
Required Equity	3,856	1,716	1,787	354
Free Surplus	2,324	1,126	1,091	106
Value of Operating Business	6,902	3,260	3,074	569
Certainty Equivalent Values of Operating Business ("**CE-VOB**")	7,721	3,726	3,361	635
Cost of Financial Options and Guarantees "**CFOG**")	(571)	(349)	(170)	(51)
Cost of Non-Financial Risks ("**CNFR**")	(248)	(117)	(117)	(14)
Cost of Capital ("**COC**")	(671)	(396)	(246)	(29)

After taking into account opening adjustments including the divestiture of CaiFor, the Embedded Value increased by 8% to EUR 13.6 billion before dividends. This increase was due to a contribution of Value Added by New Business of EUR 345 million and higher interest rates resulting in an increase of EUR 653 million. The increase resulting from higher interest rates was offset by a negative variance of EUR 737 million resulting from a drop in asset values and impairments on fixed income investments, such as CDOs.

For insurance business, increasing interest rates support an increase in value as a result of the natural mismatch between assets and liabilities with longer duration. After the dividend payment to Fortis, Embedded Value was EUR 12.4 billion at the end of 2007.

The value of Insurance Belgium would have been EUR 374 million lower if we had not applied the "look through" approach to the result related commission, which does not make allowances in the EV or VANB for any payments under the new result related commission arrangement between Insurance Belgium and Fortis Bank. In 2007 the result related commission amounted to a post-tax payment to Retail Banking of EUR 50 million.

Change in Embedded Value

The Analysis of Change explains the movement in Embedded Value at the start of 2007 to the value at year-end by showing the different underlying components.

	Value of Operating business +	Cost of Capital +	Shareholder's Equity =	EV	Insurance Belgium	Insurance Netherlands	Insurance International
	(EUR million)						
Year-end 2006	6,291	(547)	6,562	12,307	4,832	6,249	1,225
Opening Adjustments......	16	19	185	220	403	120	(303)
Year-start 2007........	6,307	(528)	6,748	12,527	5,235	6,370	922
Operating assumption changes	(82)	(22)	7	(97)	(114)	26	(9)
Expected return	(355)	21	1,206	872	426	399	47
Risk free return	291	(17)	223	496	196	260	40
Expected return above risk free	216	0	160	376	230	139	7
Transfer to shareholder equity	(862)	38	824	0	0	0	0
Variances	(335)	(29)	(373)	(737)	(324)	(402)	(11)
Change in interest rates	851	(69)	(129)	653	403	241	9
Value added by new business	516	(44)	(127)	345	207	77	62
EV before Dividends	6,902	(671)	7,333	13,564	5,834	6,709	1,021
Dividends under EV Life scope	0	0	(1,153)	(1,153)	(128)	(1,003)	(22)
Year-end 2007	6,902	(671)	6,180	12,411	5,706	5,706	1,000

The opening adjustments to the Embedded Value at the start of 2007 include the divestiture of CaiFor and modeling improvements and corrections. The divestiture of CaiFor resulted in a EUR 219 million decrease in value for Insurance International and an increase of EUR 176 million for Insurance Belgium. In addition, the restatement for Insurance Netherlands includes an assumed increase of benefits to be granted to policyholders of investment products. Opening adjustments also include EUR 61 million of capital contributions.

Overall, the changes in Operating Assumptions led to a decrease of EUR 97 million. Changes in Operating Assumptions include changes in persistency assumptions of EUR (58) million, profit sharing rules of EUR (40) million and changes in the level of Required Equity increasing the Cost of Capital, and hence reducing the EV by EUR 32 million at Insurance Belgium. At Fortis Insurance, expense increases at Insurance International of EUR 31 million were offset by a decrease in expenses at the level of Insurance Netherlands.

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. The Expected Return is split between the risk free return and the additionally expected return above risk free from investing in more risky assets, such as shares, real estate and corporate bonds. Separately, the expected return 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 872 million. It includes the release of risk factors, including CFOG and CNFR.

The variance measures the impact on EV of differences between actual compared to expected experience in the year. Total variance, divided between economic and non-economic variances, amounted to EUR (737) million in 2007.

Change in interest rate includes the impact on EV of changes in interest rate yield curves and volatilities and had an impact of EUR 653 million. The main effects are the impact of a higher yield improving margins on the block of in-force business with relatively higher guarantees. Also, 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 liabilities usually have a longer duration than assets.

VANB written in 2007 was EUR 345 million, an increase of 6% compared to the 2006 VANB (excluding CaiFor of EUR 327 million).

The following table gives a breakdown of the VANB for 2007 for the various life insurance entities.

	Fortis	Insurance Belgium	Insurance Netherlands	Insurance International
		(EUR million) (unaudited)		
EV 2007 year-end	345	207	77	62
New Business Strain	(127)	(8)	(101)	(18)
Value of Operating Business	516	243	190	84
Certainty Equivalent VOB	564	271	199	94
CFOG	(31)	(19)	(3)	(8)
CNFR	(17)	(9)	(6)	(2)
Cost of Capital	(44)	(28)	(12)	(4)

The following table shows the key indicators for Sales and Margins. The reported Internal Rate of Returns is calculated based on a traditional deterministic projection using realistic assumptions.

	Fortis	Insurance Belgium	Insurance Netherlands	Insurance International
		(EUR million, except %) (unaudited)		
Value Added by New Business	345	207	77	62
Value of Operating Business	516	243	190	84
New Business Strain	(127)	(8)	(101)	(18)
VANB evolution				
VANB 2006	377	189	85	103
VANB 2006 (excluding CaiFor)	327	189	85	53
VANB 2007	345	207	77	62
	6%	9%	(10)%	19%
Sales & Margins Present Value of New Business Premiums (“**PVNBP**”) basis				
PVNBP 2007	10,847	5,305	2,777	2,766
VANB/PVNBP	3.2%	3.9%	2.8%	2.3%
PVNBP evolution				
PVNBP 2006	11,335	5,169	2,344	2,822
PVNBP 2006 (excluding CaiFor)	10,256	5,169	2,344	2,743
PVNBP 2007	10,847	5,305	2,777	2,766
Sales & Margins APE basis				
APE 2007	1,188	585	313	291
VANB/APE	29%	35%	24%	21%
APE evolution				
APE 2006	1,232	511	276	444
APE 2006 (excluding CaiFor)	1,069	511	276	282
APE 2007	1,188	585	313	291
	11%	14%	13%	3%
IRR				
IRR 2006	16.7%	25.8%	9.3%	21.6%
IRR 2006 (excluding CaiFor)	15.9%	25.8%	9.3%	17.7%
IRR 2007	16.8%	23.0%	10.0%	20.3%

The increase in VANB resulted from higher volumes and margins, driven by the successful bank campaigns in Belgium, by product innovation efforts in Portugal and sales through the bank channel in France. As a result of difficult market circumstances, Unit Linked sales in The Netherlands dropped, causing a slight decrease of the VANB. The overall VANB for Insurance Belgium would have been EUR 56 million lower if we had not applied the "look through" approach to the result related commission which was paid by Insurance Belgium to Retail Banking.

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 included 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**") was 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 paid 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 EUR 354 million lower if we had not applied the look-through approach. In the look-through approach the result-related commission was reversed. In 2006, the result-related commission amounted to a post-tax payment to Retail Banking of EUR 49 million.

Compared to the restated 2005 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 explained 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 was largely due to VANB, higher interest rates and strong growth in share values. The dividends represented 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		(146)		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 included a small increase in scope in Insurance Belgium.

Changes in Operating Assumptions included 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 on EV 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 included the release of buffers for risk factors, including CFOG and CNFR. The Expected Return also reflected the release of modeled profits from the Value of the In-force business into Free Surplus, although the movement did not contribute to a change in value. In total, the Expected Return contributed EUR 791 million to the increase.

Variances measured the impact on EV of differences between actual compared to expected experience in the year. It included the out performance of actual investment returns against the expectation on Share and Real Estate portfolios. The variance amounted to a total of EUR 1.2 billion.

Change in Economic assumptions included the impact on EV of changes in interest rate yield curves and volatilities and had an impact of EUR 409 million. The main effects were 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.

VANB written in 2006 was EUR 377 million and was calculated on a Market Consistent basis and included an allowance for CFOG and CNFR.

The following table gives a breakdown of the VANB for 2006 for the various life insurance entities.

	Fortis	Insurance Belgium	Insurance Netherlands	Insurance International
		(EUR million) (unaudited)		
VAN 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	(44)	(25)	(14)	(6)

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
		(EUR million, except %) (unaudited)		
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 that will be paid by Insurance Belgium to Retail Banking, which does not make allowances in the EV or VANB for any such payments.

To allow comparisons to the results of 2005, the 2006 VANB was also 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 were due mainly to an increase in target pricing at FIB. This increase was largely due to the assumed expected risk premium on Shares and Real Estate, which was not recognized under market consistent valuation methodology.

The overall impact of moving to MCEV was slightly positive although the overall result of methodology changes varied across businesses. The new methodology had no impact on New Business Strain.

The impact of moving to the MCEV basis could have been 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 reduced because under MCEV it represented only the cost of taxes on investment returns and investment expenses relating to the Required Equity.

The Present Value of New Business Premiums ("**PVNBP**") was affected because the Risk Discount Rate used in the traditional method was 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 In-force Business (ViF)

\+ Value of Operating Business (VOB)

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

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 risk components:

*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 CFOG 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. While within 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 the Certainty Equivalent value of operating business to place a value on the uncertainty of shareholder profits around the expected insurance and non-hedgeable risks embedded in the insurance cash flows.

The CNFR is calculated based on an annual charge on a part of the solvency capital required to be held for these specific risks. This is structurally in-line with Fortis's understanding of the approach proposed for calculating the Market Value Margin under Solvency II.

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, 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.

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

The VANB represents the value added by new business written in the period, and is calculated in a similar way to the embedded value. It is calculated as the value of the new business written in 2007 that is in-force at December 31, 2007 plus the first year losses (New Business Strain).

The VANB includes only premiums arising from contracts sold during 2007 and does not include future new business. The VANB is valued based on year-end assumptions.

Assumptions and Sensitivities

The assumptions underlying the projections of the Embedded Value at 2007 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 December 31, 2007 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.

Volatilities

Volatility for shares is based on an observed implied volatility of a ten year at-the-money equity index call option as at December 31, 2007. Volatilities for fixed interest assets are based on a selection of at-the-money swaptions as at December 31, 2007. Volatility for real estate is based on historical market data.

	2007	2006	2005
10 year swap (5 year option/10 year option)	12.1%/10.7%	13.3% /12.2%	16.2% /14.3%
15 year swap (5 year option/10 year option)	12.0%/10.9%	13.1% /12.2%	15.8% /14.1%
Shares	27.5%	22.7%	22.9%
Real estate	10.0%	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.

	2007				2006				2005 restated			
	Fortis	Insurance Belgium	Insurance Netherlands	Insurance International	Fortis	Insurance Belgium	Insurance Netherlands	Insurance International	Fortis	Insurance Belgium	Insurance Netherlands	Insurance International
Operating Business												
Fixed income	80%	77%	82%	90%	85%	82%	84%	97%	86%	82%	86%	97%
Shares	9%	10%	9%	7%	10%	13%	10%	2%	9%	12%	8%	2%
Others (Real Estate & cash)	11%	13%	8%	3%	5%	5%	6%	1%	5%	6%	6%	1%

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.

Operating assumptions

Modeled expenses start at the actual 2007 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's staff in the Life entities as recognized under IAS 19.

The total unallocated central overheads in 2007 were EUR 218 million relating to all banking, insurance and central activities. The share for the life insurance activities of these expenses have not been allowed for in the embedded value or Value of New Business.

Expense inflation

Expense inflation is assumed to be 1.9% flat over all years. The expense inflation assumption is used to increase future expenses and is aligned with the outlook of the consumer price index provided by the Economic Intelligence Unit and European Central Bank.

Mortality and Persistency

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 insurance business that reflect either policyholder behaviour or flexibility of management actions and creating asymmetric movements of cash flows around the best-estimate levels are not allowed for in the models. This includes dynamic lapsing (i.e., lapses that vary according to economic conditions), and the ability of management to change guarantees on future premiums on certain products. The CNFR is an allowance for the uncertainty of shareholder profits around the best-estimate level not currently allowed for in the models.

Tax

Tax is modeled bottom-up. Appropriate tax rates are applied to direct and indirect returns on shares, real estate and fixed income. 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 a more 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.

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 VANB.

- 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. This sensitivity only impacts the Cost of Capital resulting from a lower level of Shareholders Equity needed to meet the minimum level of Required Capital.

The following table shows the impact of the above sensitivities on the in-force business for 2007.

	Fortis	Insurance Belgium	Insurance Netherlands	Insurance International
Base case EV (**EUR million**)	12,411	5,706	5,706	1,000
Risk free rate +100bp	2.7%	3.3%	2.6%	0.4%
Risk free rate-100bp	(7.2)%	(9.0)%	(6.2)%	(2.6)%
Asset values shares and real estate –10%	(10.8)%	(10.5)%	(12.5)%	(3.6)%
Volatilities equities and properties +10%	(0.2)%	0.0%	(0.2)%	(0.9)%
Volatilities risk-free yields +10%	(0.7)%	(1.0)%	(0.5)%	(0.3)%
Required Equity (minimum regulatory level)	2.4%	3.2%	1.9%	0.8%
Costs – 10%	1.9%	1.9%	1.7%	2.5%
Mortality rates – 5%	0.2%	0.3%	0.1%	0.0%
Lapse rates – 10%	0.7%	0.6%	0.4%	2.8%

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	1,225
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 VANB for 2007.

	Fortis	Insurance Belgium	Insurance Netherlands	Insurance International
Base case EV (**EUR million**)	345	207	77	62
Risk free rate +100bp	2.6%	8.9%	(12.5)%	0.1%
Risk free rate –100bp	(9.1)%	(16.4)%	5.9%	(3.3)%
Volatilities equities and properties +10%	(1.1)%	(1.3)%	0.6%	(2.3)%
Volatilities risk-free yields +10%	(1.2)%	(1.4)%	(1.3)%	(0.4)%
Required Equity (minimum regulatory level)	6.4%	6.3%	8.4%	4.3%
Costs –10%	4.4%	3.0%	8.3%	4.4%
Mortality rates –5%	1.9%	1.3%	4.1%	1.1%
Lapse rates –10%	4.0%	2.0%	6.5%	7.9%

The following table shows the impact of the above sensitivities on the VANB for 2006.

	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%

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.

The tables are based on the organizational structure of the group for the periods presented. The tables for 2007/2006 are based on the organizational structure as of January 1, 2007, with restated financial information for 2006. The tables for 2006/2005 are based on the organizational structure prior to January 1, 2007. See "Operating and Financial Review and Prospects — Segment Reporting."

Average Balance Sheets and Interest Rates

The following table shows Fortis's average balances and interest rates for each of the years set forth below.

	2007			2006		
	Average Balance	Interest	Average Rate(%)	Average Balance	Interest	Average Rate(%)
Interest on balance						
Network banking	238	7	2.8%	467	43	9.3%
Asset Management	736	32	4.3%	855	22	2.6%
Merchant & Private banking	136,792	11,004	8.0%	107,388	5,413	5.0%
Other banking	672	58	8.6%	1,288	146	11.3%
Total Due from banks and Cash and cash equivalents	138,437	11,100	8.0%	109,998	5,624	5.1%
Network banking	80,795	4,507	5.6%	75,051	3,946	5.3%
Asset Management	12	2	12.6%	27	3	9.9%
Merchant & Private banking	203,663	10,117	5.0%	185,261	9,580	5.2%
Other banking	31,140	1,472	4.7%	30,773	1,575	5.1%
Total Loans to customers	315,610	16,098	5.1%	291,112	15,104	5.2%
Network banking	146	7	4.5%	200	6	3.0%
Asset Management	34	6	17.4%	27	4	15.5%
Merchant & Private banking	67,446	3,096	4.6%	77,535	3,205	4.1%
Other banking	51,900	2,217	4.3%	56,170	2,321	4.1%
Total Investments	119,525	5,326	4.5%	133,932	5,536	4.1%
Total Interest-earning assets	573,572	32,525	5.7%	535,042	26,264	4.9%
Interest-earning assets						
Network banking	81,178	4,520	5.6%	75,717	3,996	5.3%
Asset Management	782	39	5.0%	909	29	3.2%
Merchant & Private banking	407,901	24,217	5.9%	370,184	18,198	4.9%
Other banking	83,711	3,748	4.5%	88,231	4,042	4.6%
Total Interest-earning assets	573,572	32,525	5.7%	535,042	26,264	4.9%
Trading assets	84,228	56,933		70,212	41,405	
Other assets	101,429	3,195		76,575	2,526	
Total average assets	759,229	92,653	12.2%	681,829	70,196	10.3%

	2007			2006		
	Average Balance	Interest	Average Rate(%)	Average Balance	Interest	Average Rate(%)
Liabilities						
Network banking	319	(14)	4.58%	303	(37)	12.2%
Asset Management	4	0	1.6%	6	0	1.2%
Merchant & Private banking	194,934	(10,703)	5.5%	185,210	(7,809)	4.2%
Other banking	119	(81)	68.1%	(897)	(114)	12.7%
Total Due to banks	195,377	(10,799)	5.5%	184,622	(7,960)	4.3%
Network banking	93,163	(2,300)	2.5%	90,266	(1,882)	2.1%
Asset Management	371	(31)	8.3%	655	(1)	0.2%
Merchant & Private banking	165,396	(7,716)	4.7%	165,239	(6,683)	4.0%
Other banking	12,250	(485)	4.0%	13,362	(501)	3.7%
Total Due to customers	271,181	(10,531)	3.9%	269,522	(9,067)	3.4%
Network banking	424	(8)	1.8%	541	(12)	2.2%
Asset Management	0	0		0	0	
Merchant & Private banking	64,535	(3,353)	5.2%	54,812	(2,388)	4.4%
Other banking	35,058	(1,584)	4.5%	28,414	(956)	3.4%
Total Debt certificates	100,017	(4,945)	4.9%	83,767	(3,356)	4.0%
Network banking	69	(1)	1.3%	69	(2)	3.1%
Asset Management	0	0	—	0	0	—
Merchant & Private banking	2,319	(94)	4.0%	1,583	(90)	5.7%
Other banking	14,201	(670)	4.7%	12,156	(583)	4.8%
Total Subordinated liabilities	16,590	(765)	4.6%	13,808	(676)	4.9%
Total Interest bearing liabilities	583,164	(27,040)	4.6%	551,719	(21,059)	3.8%
Network banking	93,975	(2,323)	2.5%	91,179	(1,933)	2.1%
Asset Management	376	(31)	8.2%	661	(1)	0.2%
Merchant & Private banking	427,185	(21,866)	5.2%	406,843	(16,970)	4.2%
Other banking	61,629	(2,820)	4.6%	53,035	(2,154)	4.1%
Total Interest bearing liabilities	583,164	(27,040)	4.6%	551,719	(21,059)	3.8%
Trading assets	88,322	(58,230)	—	63,715	(41,337)	—
Other assets	66,661	(2,115)	—	49,919	(2,716)	—
Total average liabilities	738,147	—	—	665,353	—	—
Shareholders' equity	21,082	—	—	16,476	—	—
Total average liabilities and shareholders' equity	759,229	—	—	681,829	—	—
Trading assets	840,228	56,933	—	70,212	41,405	—
Trading liabilities	88,322	(58,230)	—	63,715	(41,337)	—
Other assets	101,429	3,195	—	76,575	2,526	—
Other liabilities (interest-bearing)	2,428	(2,115)	—	3,402	(2,724)	—
Other liabilities (non-interest bearing)	64,233	—	—	46,516	—	—
Total average other interest on balance	340,638	217	—	260,421	(121)	—
Net interest income	—	5,267	—	—	5,086	—

(1) The average balances are calculated from quarterly data.

The following table shows Fortis's average balances and interest rates for each of the years set forth below.

	2006			2005		
	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%
Merchant banking	103,236	5,354	5.2%	112,835	3,765	3.3%
Commercial & Private banking	2,900	58	2.0%	1,639	16	1.0%
Other banking	1,616	146	9.0%	2,172	54	2.5%
Total Due from banks and Cash and cash equivalents	109,019	5,624	5.2%	117,639	3,858	3.3%
Retail banking	73,548	3,961	5.4%	63,191	3,366	5.3%
Merchant banking	127,346	7,303	5.7%	98,920	4,554	4.6%
Commercial & Private banking	56,461	2,740	4.9%	50,172	2,161	4.3%
Other banking	30,723	1,575	5.1%	29,995	1,647	5.5%
Total Loans to customers	288,078	15,578	5.4%	242,278	11,728	4.8%
Retail banking	185	10	5.5%	19	3	15.6%
Merchant banking	76,711	3,203	4.2%	68,399	2,294	3.4%
Commercial & Private banking	61	2	3.7%	76	3	3.4%
Other banking	56,272	2,321	4.1%	56,107	2,321	4.1%
Total Investments	133,229	5,536	4.2%	124,600	4,620	3.7%
Total Interest-earning assets	530,326	26,738	5.0%	484,517	20,206	4.2%
Interest-earning assets						
Retail banking	75,000	4,036	5.4%	64,204	3,391	5.3%
Merchant banking	307,293	15,860	5.2%	280,153	10,614	3.8%
Commercial & Private banking	59,421	2,800	4.7%	51,886	2,179	4.2%
Other banking	88,611	4,042	4.6%	88,274	4,022	4.6%
Total Interest-earning assets	530,326	26,738	5.0%	484,517	20,206	4.2%
Trading assets	68,736	—	—	64,456	—	—
Other assets	74,240	—	—	63,236	—	—
Total average assets	673,302	—	—	612,209	—	—
Liabilities						
Retail banking	282	(37)	13.1%	333	(80)	23.9%
Merchant banking	180,760	(7,757)	4.3%	169,989	(4,587)	2.7%
Commercial & Private banking	1,019	(52)	5.1%	768	(57)	7.5%
Other banking	549	(114)	20.7%	779	(84)	10.8%
Total Due to banks	182,610	(7,960)	4.4%	171,870	(4,808)	2.8%
Retail banking	89,868	(1,884)	2.1%	82,872	(1,459)	1.8%
Merchant banking	121,641	(5,577)	4.6%	100,089	(4,099)	4.1%
Commercial & Private banking	43,097	(1,107)	2.6%	38,225	(710)	1.9%
Other banking	13,668	(500)	3.7%	15,034	(610)	4.1%
Total Due to customers	268,274	(9,067)	3.4%	236,221	(6,878)	2.9%
Retail banking	561	(12)	2.1%	698	(14)	2.0%
Merchant banking	52,736	(2,386)	4.5%	40,578	(1,406)	3.5%
Commercial & Private banking	221	(2)	0.9%	329	(2)	0.6%
Other banking	28,862	(956)	3.3%	30,917	(1,046)	3.4%
Total Debt certificates	82,379	(3,356)	4.1%	72,522	(2,468)	3.4%

	2006			2005		
	Average Balance	Interest	Average Rate(%)	Average Balance	Interest	Average Rate(%)
	(EUR million, except %)					
Retail banking	63	(2)	3.7%	39	0	0.5%
Merchant banking	1,341	(75)	5.6%	1,316	(59)	4.5%
Commercial & Private banking	233	(15)	6.3%	63	(5)	7.3%
Other banking	11,934	(583)	4.9%	10,212	(545)	5.3%
Total Subordinated liabilities	13,571	(676)	5.0%	11,630	(609)	5.2%
Total Interest bearing liabilities	546,835	(21,059)	3.9%	492,244	(14,762)	3.0%
Interest-bearing liabilities:						
Retail banking	90,774	(1,935)	2.1%	83,942	(1,553)	1.8%
Merchant banking	356,478	(15,796)	4.4%	311,972	(10,151)	3.3%
Commercial & Private banking	44,570	(1,175)	2.6%	39,386	(774)	2.0%
Other banking	55,013	(2,153)	3.9%	56,944	(2,285)	4.0%
Total interest-bearing liabilities	546,835	(21,059)	3.9%	492,244	(14,762)	3.0%
Other interest on balance trading liabilities:	61,123	(41,337)	—	54,573	(43,282)	—
Other liabilities (interest-bearing)	24,178	(2,716)	—	27,312	(1,999)	—
Other liabilities (non-interest bearing)	25,349	0	—	25,608	0	—
Shareholders' equity	15,818	0	—	12,471	—	—
Total average liabilities and shareholders' equity	673,302	—	—	612,209	—	—
Trading assets	68,736	41,405	—	64,456	43,253	—
Trading liabilities	61,123	(41,337)	—	54,573	(43,282)	—
Other assets	74,240	2,052	—	63,236	1,236	—
Other liabilities (interest-bearing)	24,178	(2,714)	—	27,312	(1,999)	—
Other liabilities (non-interest bearing)	25,349	—	—	25,608	—	—
Total average other interest on balance	—	(593)	—	—	(792)	—
Net interest income	—	5,086	—	—	4,653	—

(1) 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,		
	2007	2006	2005
Return on banking assets	0.2%	0.5%	0.4%
Return on banking equity	8.6%	20.0%	19.6%
Banking equity to banking assets	2.7%	2.4%	2.0%

Yields, Spread and Margins

The tables below show selected yield, spread and margin information applicable to Fortis for the years indicated. These amounts are derived from the tables of average balances and interest rates above.

	Year Ended December 31,	
	2007	2006
Gross Yield[(1)]**:**		
Network banking	5.6%	5.4%
Asset Management	5.0%	5.2%
Merchant & Private Banking	5.9%	4.7%
Other banking	4.5%	4.6%
Interest Spread[(2)]**:**		
Network banking	3.1%	3.3%
Asset Management	0%	0.7%
Merchant & Private Banking	0%	2.1%
Other banking	9%	0.7%
Interest Margin[(3)]**:**		
Total Banking	1.0%	1.0%

(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.

	Year Ended December 31,	
	2006	2005
Gross Yield[(1)]**:**		
Retail banking	5.4%	5.3%
Merchant banking	5.2%	3.8%
Commercial & Private banking	4.7%	4.2%
Other banking	4.6%	4.7%
Interest Spread[(2)]**:**		
Retail banking	3.3%	3.4%
Merchant banking	0.7%	0.5%
Commercial & Private banking	2.1%	2.2%
Other banking	0.7%	0.6%
Interest Margin[(3)]**:**		
Total Banking	1.1%	1.1%

(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 tables below allocate, 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, 2007 compared to the year ended December 31, 2006 and for the year ended December 31, 2006 compared to the year ended December 31, 2005. 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.

	2007 over 2006		
	Change due to Increase (Decrease) in		
	Total Change in Interest	Volume	Rate
		(EUR million)	
Interest Income:			
Network banking	(37)	(14)	(23)
Asset Management	9	(4)	14
Merchant & Private banking	5,591	1,924	3,668
Other banking	(88)	(61)	(26)
Total Due from banks and Cash and cash equivalents	**5,476**	**1,844**	**3,632**
Network banking	561	311	249
Asset Management	(1)	(2)	1
Merchant & Private banking	537	933	(395)
Other banking	(103)	18	(1,210)
Total Loans to customers	**994**	**1,260**	**(267)**
Network banking	1	(1)	1
Asset Management	2	0	2
Merchant & Private banking	(109)	(263)	154
Other banking	(103)	(317)	214
Total Investments	**(210)**	**(581)**	**371**
Network banking	525	297	228
Asset Management	10	(6)	16
Merchant & Private banking	6,020	2,593	3,427
Other banking	(294)	(360)	66
Total Interest-earning assets	**6,260**	**2,524**	**3,736**
Interest Expenses:			
Network banking	(23)	(24)	1
Asset Management	0	0	0
Merchant & Private banking	2,895	2,423	472
Other banking	(32)	(314)	282
Total Due to banks	**2,840**	**2,085**	**755**
Network banking	417	352	66
Asset Management	29	41	(12)
Merchant & Private banking	1,034	1,027	7
Other banking	(16)	27	(43)
Total Due to customers	**1,464**	**1,446**	**18**
Network banking	(4)	(2)	(2)
Asset Management	0		
Merchant & Private banking	965	501	464
Other banking	628	366	262
Total Debt certificates	**1,588**	**864**	**724**

	2007 over 2006		
	Change due to Increase (Decrease) in		
	Total Change in Interest	Volume	Rate
	(EUR million)		
Network banking	(1)	(1)	0
Asset Management	0		
Merchant & Private banking	4	(32)	36
Other banking	87	(10)	97
Total Subordinated liabilities	**89**	**(44)**	**133**
Interest-bearing liabilities:			
Network banking	389	324	65
Asset Management	29	41	(12)
Merchant & Private banking	4,897	3,918	979
Other banking	666	68	598
Total interest-bearing liabilities	**5,982**	**4,352**	**1,630**
Change in net interest income	279	(1,828)	2,106

	2006 over 2005		
	Change due to Increase (Decrease) in		
	Total Change in Interest	Volume	Rate
	(EUR million)		
Interest Income:			
Retail banking	43	10	33
Merchant banking	1,589	(409)	1,998
Commercial & Private banking	42	19	24
Other banking	91	(32)	123
Total Due from banks and Cash and cash equivalents	1,766	(412)	2,178
Retail banking	595	555	40
Merchant banking	2,749	1,469	1,279
Commercial & Private banking	579	288	291
Other banking	(72)	39	(111)
Total Loans to customers	3,850	2,351	1,500
Retail banking	7	17	(9)
Merchant banking	909	594	315
Commercial & Private banking	0	1	(1)
Other banking	0	(278)	277
Total Investments	916	333	582
Retail banking	645	581	64
Merchant banking	5,246	1,654	3,592
Commercial & Private banking	621	307	314
Other banking	19	(271)	290
Total Interest-earning assets	6,532	2,272	4,260

	2006 over 2005		
	Change due to Increase (Decrease) in		
	Total Change in Interest	Volume	Rate
	(EUR million)		
Interest Expenses:			
Retail banking	(43)	(33)	(10)
Merchant banking	3,170	2,794	376
Commercial & Private banking	(6)	(21)	16
Other banking	30	66	(36)
Total Due to banks	3,151	2,805	346
Retail banking	425	290	135
Merchant banking	1,478	543	935
Commercial & Private banking	397	289	108
Other banking	(110)	(57)	(53)
Total Due to customers	2,190	1,065	1,125
Retail banking	(2)	1	(3)
Merchant banking	981	495	486
Commercial & Private banking	0	1	(1)
Other banking	(90)	(21)	(69)
Total Debt certificates	889	475	413
Retail banking	2	2	1
Merchant banking	16	15	1
Commercial & Private banking	10	(1)	11
Other banking	38	(50)	88
Total Subordinated liabilities	67	(34)	101
Interest-bearing liabilities:			
Retail banking	382	259	123
Merchant banking	5,645	3,847	1,799
Commercial & Private banking	401	267	134
Other banking	(132)	(62)	(70)
Total interest-bearing liabilities	6,296	4,310	1,986
Change in net interest income	235	(2,038)	2,273

Investment and Trading Portfolio

The following table shows the book value of Fortis's banking investment and trading securities portfolio at December 31, 2007, 2006 and 2005.

	At December 31,		
	2007	2006	2005
		(EUR million)	
Trading:			
Belgian national government	1,554	3,428	1,409
Dutch national government	1,442	1,448	2,281
German national government	610	818	1,119
Italian national government	2,140	1,043	738
French national government	827	895	532
Greek national government	314	176	440
Spanish national government		472	424
Portuguese national government	90	71	128
Austrian national government	47	90	126
Finnish national government	25	67	9
Other national governments and other government agencies	1,898	1,379	1,099
Total trading government debt securities	8,947	9,887	8,305
Banks and financial institutions	3,792	2,674	3,452
Other corporate debts	6,023	4,957	5,376
Structured credit instruments	3,249	4,981	3,850
Total trading corporate debt securities	13,064	12,566	12,678
Total trading debt securities	22,011	22,453	20,983
Available for Sale:			
Belgian national government	7,129	9,220	10,521
Dutch national government	3,204	5,700	6,588
German national government	6,824	10,061	9,719
Italian national government	6,073	15,988	18,660
French national government	4,156	7,174	6,933
Greek national government	3,588	4,430	5,484
Spanish national government	487	3,165	3,053
Portuguese national government	2,334	2,271	2,456
Austrian national government	1,555	1,582	1,869
Finnish national government	957	1,074	1,180
Other national governments and other government agencies	5,082	3,784	3,375
Total available for sale government debt securities	41,389	64,449	69,839
Banks and financial institutions	20,955	21,024	18,783
Other corporate debts	5,298	5,048	4,731
Structured credit instruments	31,100	33,895	30,089
Total available for sale corporate debt securities	57,353	59,967	53,603
Total available for sale debt securities	98,742	124,416	123,442

	At December 31,		
	2007	2006	2005
		(EUR million)	
Held to Maturity:			
Belgian national government	1,068	1,371	1,601
German national government	816	774	758
Italian national government	388	396	337
French national government	625	595	551
Greek national government	166	167	168
Spanish national government	291	294	296
Portuguese national government	213	196	197
Austrian national government	20	20	
Other national governments and other government agencies	346	398	375
Total held to maturity government debt securities	3,933	4,211	4,283
Banks and financial institutions	132	109	868
Other corporate debts	168	185	219
Total held to maturity corporate debt securities	300	294	1,087
Total held to maturity debt securities	4,234	4,505	5,369
Held at fair value (through net income):			
Other corporate debts	24	62	16
Structured credit instruments	1,967	2,445	1,591
Other asset-backed securities	1,942	2,309	1,521
Total held at fair value (through net income) corporate debt securities	1,991	2,507	1,607
Total held at fair value (through net income) debt securities	2,015	2,507	1,607
Equity securities and convertible debentures	31,985	30,962	21,890
Total investment securities	158,987	184,843	173,291

At December 31, 2007 and 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, 2007	At December 31, 2006
	Book Value	Book Value
	(EUR million)	
Belgian national government	9,751	14,019
Dutch national government	4,646	7,148
German national government	8,250	11,653
Italian national government	8,601	17,427
French national government	5,608	8,664
Greek national government	4,068	4,773
Spanish national government	778	3,931
Portuguese national government	2,637	2,538
Austrian national government	1,622	1,692
Finish national government	982	1,141

Loan Portfolio

At December 31, 2007, Fortis's banking total loans (as reported under Due from banks and Due from customers) amounted to EUR 433,647 million, or 57% of Fortis's banking assets. Due from customers, which principally includes receivables from governments and official institutions, residential mortgages, commercial loans and consumer loans, represented 73% of Fortis's total banking loans at December 31, 2007 (2006: 76%; 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 27% of Fortis's total banking loans at December 31, 2007 (2006: 24%; 2005: 22%; 2004: 22%). At December 31, 2007 approximately 2% of Due from customers were loans to the public sector (2006: 2%; 2005: 3%; 2004: 3%) and approximately 98% were loans to the private sector (2006: 98%; 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,			
	2007	2006	2005	2004
	(EUR million)			
Total net Due from customers:				
Total gross Due from customers	317,303	288,078	280,233	228,127
Impairment	(2,002)	(2,201)	(2,371)	(2,620)
Total net Due from customers	315,301	285,877	277,862	225,507
Breakdown by geography of borrower:				
Belgium				
Government and official institutions	3,721	4,028	5,974	4,449
Residential mortgages	25,477	23,561	21,706	19,573
Commercial loans	36,805	31,246	27,239	27,391
Consumer loans	3,060	2,798	2,652	2,552
Other loans	6,625	7,885	6,672	7,672
Total Due from customers Belgium	75,688	69,518	64,242	61,637
The Netherlands				
Government and official institutions	1,645	1,471	1,411	1,101
Residential mortgages	62,571	60,038	54,891	49,347
Commercial loans	27,949	22,512	21,902	19,014
Consumer loans	2,865	4,594	4,214	3,865
Other loans	8,984	12,192	6,286	4,777
Total Due from customers The Netherlands	104,014	100,808	88,704	78,103
Great Britain				
Government and official institutions	62	16	0	0
Residential mortgages	303	254	206	177
Commercial loans	7,537	6,359	5,580	3,808
Consumer loans	65	38	45	35
Other loans	22,241	24,608	29,749	17,828
Total Due from customers Great Britain	30,207	31,275	35,580	21,847

	At December 31,			
	2007	2006	2005	2004
	(EUR million)			
United States				
Government and official institutions	199	28	0	0
Residential mortgages	47	33	26	23
Commercial loans	9,730	7,665	5,136	4,357
Consumer loans	4	19	75	75
Other loans	18,154	19,091	36,050	26,978
Total Due from customers United States	28,133	26,837	41,288	31,432
Rest of the World				
Government and official institutions	1,084	938	445	423
Residential mortgages	5,596	4,754	3,357	3,215
Commercial loans	55,276	41,331	33,001	21,449
Consumer loans	3,434	2,495	2,175	1,968
Other loans	11,872	7,924	9,071	5,432
Total Due from customers Rest of the World	77,261	57,440	48,049	32,487
Total net Due from customers	315,301	285,877	277,862	255,507
Breakdown by type of Loan:				
Government and official institutions	6,709	6,481	7,830	5,973
Residential mortgages	93,994	88,640	80,185	72,335
Commercial loans	137,297	109,112	92,858	76,019
Consumer loans	9,427	9,944	9,161	8,495
Other loans	67,875	71,701	87,828	62,686
Total net Due from customers	315,301	285,877	277,862	225,507

Loan Commitments

The following table provides loan commitments of the banking activities at December 31, 2007, 2006 and 2005.

	At December 31,		
	2007	2006	2005
	(EUR million)		
Guarantees and standby letters of credit	22,638	24,437	15,151
Commercial letters of credit	819	403	581
Documentary credits	11,305	9,154	7,049
Commitments to extend credit	322,233	231,954	157,033
Total commitments	356,995	265,948	179,814

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 impairments 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 income statement 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, 2007	At December 31, 2006	At December 31, 2005
Foreclosed real estate	34	31	32

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, 2007, Fortis's banking total loans amounted to EUR 434 billion (2006: EUR 375 billion; 2005: EUR 358 billion) or 57% (2006: 56%; 2005: 56%) of Fortis's banking assets. Due from customers, which principally includes receivables from governments and official institutions, commercial loans and consumer loans, represented approximately 73% of Fortis's banking total loans at December 31, 2007 (2006: 76%; 2005: 78%). The following table gives an overview of the impaired loans and the impairments recorded relative to the total portfolio:

	At December 31,		
	2007	2006	2005
	(EUR million except %)		
Due from banks:			
Outstanding gross	118,363	89,438	80,086
Impaired outstanding	31	26	43
Impairments — specific credit loss	(12)	(17)	(18)
— IBNR	(5)	(8)	(14)
Total impairments to bank	(17)	(25)	(32)
Total receivable due from banks	118,346	89,413	80,054
Impairments due from banks as a % of outstanding loans	0.01%	0.03%	0.04%
Due from customers			
Outstanding gross	317,303	288,078	280,233
Impaired outstanding	5,476	5,937	6,136
Impairments			
— specific credit loss	(1,778)	(1,876)	(2,064)
— IBNR	(224)	(325)	(307)
	(2,002)	(2,201)	(2,371)
Total net receivables from customers	315,301	285,877	277,862
Impairments due from customers as a % of outstanding gross	0.63%	0.76%	0.85%

	At December 31,		
	2007	2006	2005
	(EUR million except %)		
Credit commitments:			
Outstanding gross	158,932	165,047	119,446
Impaired outstanding	610	365	587
Provision for credit losses			
— specific credit loss	(398)	(150)	(143)
— IBNR	(49)	(80)	(88)
Total impairments on commitments	(447)	(230)	(231)
Interest collected on impaired loans	115	98	97

The table below shows Fortis Bank's consolidated credit receivables before impairments relating to the customer loan portfolio at December 31, 2007 and 2006 broken down by industry. These figures do not include any value adjustments.

	At December 31,	
	2007	2006
	(EUR million)	
Agriculture, forestry and fishing	1,926	1,341
Oil and gas	4,910	3,806
Basic Metals	4,441	3,301
Raw & intermediate materials	971	951
Consumer goods	8,185	6,901
Wood, pulp and paper products	1,137	907
Technology, media and telecom	3,138	2,961
Electricity, gas and water supply	7,499	5,062
Chemicals, rubber and plastic products	6,161	5,221
Construction and engineering	6,735	5,182
Machinery and equipment	5,197	4,389
Automotive	3,890	3,436
Transportation	966	968
Trade and commodity finance	14,397	10,456
Retail	3,720	2,886
Real Estate	20,983	16,592
Financial Services	74,671	79,190
Holdings & other services	23,484	14,683
Public & social services	14,339	13,444
Private persons	104,179	97,597
Non-classified	4,372	6,603
Total	**315,301**	**285,877**

The table below shows the changes in the impairments on due from banks and impairments on due from customers over the last three years.

Roll forward of impairments due from banks

	2007		2006		2005	
	Specific Credit Risk	IBNR	Specific Credit Risk	IBNR	Specific Credit Risk	IBNR
			(EUR million)			
As at January 1	17	8	18	14	16	29
Increase in impairments	2	2	4	4	1	9
Release of impairments	(3)	(5)	(1)	(10)	(2)	(11)
Write-offs of uncollectible loans	(2)	—	—	—	1	
Foreign currency translation effects and other adjustments	(2)	—	(4)	—	2	(13)
As at December 31	12	5	17	8	18	14

	2007	2006	2005
Impairments/Total due from banks ratio (at December 31)	0.015%	0.028%	0.041%
Average balance due from banks, gross (EUR million)	114,927	84,199	91,456

Roll forward of impairments due from customers

	2007		2006		2005	
	Specific Credit Risk	IBNR	Specific Credit Risk	IBNR	Specific Credit Risk	IBNR
			(EUR million)			
As at January 1	1,876	325	2,064	307	2,327	293
Acquisitions/divestments of subsidiaries	31	4	23	6	46	22
Increase in impairments	817	23	665	91	883	60
Release of impairments	(511)	(133)	(511)	(73)	(683)	(82)
Write-offs of uncollectible loans	(343)	—	(309)	—	(505)	(1)
Foreign currency translation effects	—	—	—	—	—	—
and other adjustments	(92)	5	(56)	(6)	(4)	15
As at December 31	1,778	224	1,876	325	2,064	307

The table below sets forth Fortis banking'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 2005-2007 is prepared on a Belgian GAAP basis.

	# of Large Exposures	Total Large Exposures as % of Equity	Total Loans to Customers
		(EUR million)	
For year ended (Belgian GAAP)			
December 31, 2005	15	533%	272,906
December 31, 2006	3	61%	285,910
December 31, 2007	7	78%	315,719

Deposits

The aggregate average balance of Fortis banking's interest-bearing deposits (from banks and customer accounts) increased from EUR 291.3 billion in 2006 to EUR 310.8 billion in 2007. 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 2007 and 2006 (restated).

	2007			2006		
	Average Balance[1]	Interest	Average Rate	Average Balance[1]	Interest	Average Rate
	(EUR million, except %)					
Deposits by Businesses:						
Deposits originated by Retail banking:						
Non-interest bearing demand deposits	49	0	0.0%	26	0	0.0%
Interest bearing demand deposits	21,713	(161)	0.7%	21,317	(191)	0.9%
Deposits from central banks	8,667	(241)	2.8%	0	0	—
Saving deposits	43,372	(870)	2.0%	56,654	(1,169)	2.1%
Time deposits	19,537	(941)	4.8%	11,700	(545)	4.7%
Deposits Retail banking Network	93,338	(2,213)	2.4%	90,435	(1,905)	2.1%
Deposits originated by Asset management:						
Non-interest bearing demand deposits						
Interest bearing demand deposits	364	(30)	8.3%	637		0.0%
Deposits from central banks						
Saving deposits						
Time deposits						
Deposits Asset Management	364	(30)	8.3%	637	0	0.0%
Deposits originated by Commercial and Private banking						
Non-interest bearing demand deposits	127	0	0.0%	96	0	0.0%
Interest bearing demand deposits	69,267	(1,606)	2.3%	63,658	(2,566)	4.0%
Deposits from central banks	913	(66)	7.3%	102	0	0.0%
Saving deposits	436	(5)	1.1%	1,919	(78)	4.0%
Time deposits	134,532	(7,627)5.7%	122,616	(5,067)	4.1%	
Deposits Commercial and Private banking	205,275	(9,304)	4.5%	188,391	(7,711)	4.1%
Deposits originated by Other banking:						
Non-interest bearing demand deposits	1		0.0%	12	0	0.0%
Interest bearing demand deposits	370	(21)	5.7%	756	(100)	13.3%
Deposits from central banks	49			0	0	0
Saving deposits				8	(2)	21.8%
Time deposits	11,437	(524)	4.6%	10,994	(438)	4.0%
Deposits Other banking	11,856	(545)	4.6%	11,770	(540)	4.6%
Total	310,832	(12,092)	3.9%	291,233	(10,156)	3.5%

	2007			2006		
	Average Balance[(1)]	Interest	Average Rate	Average Balance[(1)]	Interest	Average Rate
	(EUR million, except %)					
Total Deposits by type of Deposit:						
Non-interest bearing demand deposits	177		0.0%	134	0	0.0%
Interest bearing demand deposits	91,714	(1,818)	2.0%	86,369	(2,857)	3.3%
Deposits from central banks	9,629	(307)	3.2%	102	0	0.0%
Saving deposits	43,808	(874)	2.0%	58,581	(1,248)	2.1%
Time deposits	165,505	(9,092)	5.5%	146,048	(6,050)	4.1%
Deposits banking	310,832	(12,092)	3.9%	291,233	(10,156)	3.5%

(1) The average balances are calculated from quarterly data.

The aggregate average balance of Fortis banking's interest-bearing deposits (from banks and customer accounts) increased from 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 2006 (without restatement) and 2005.

	2006			2005		
	Average Balance[(1)]	Interest	Average Rate	Average Balance[(1)]	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	
Interest bearing demand deposits	21,773	(191)	0.9%	19,180	(126)	0.7%
Deposits from central banks	0	0	—	0	0	—
Saving deposits	56,515	(1,169)	2.1%	53,894	(1,129)	2.1%
Time deposits	11,700	(545)	4.7%	9,894	(285)	2.9%
Deposits Retail banking	90,007	(1,905)	2.1%	82,968	(1,540)	1.9%
Deposits originated by Merchant banking:						
Non-interest bearing demand deposits	88	0	0.0%	41	0	0.0%
Interest bearing demand deposits	34,847	(2,082)	6.0%	29,276	(746)	2.5%
Deposits from central banks	84	0	0.1%	3	0	0.3%
Saving deposits	6	0	1.7%	17	(1)	5.3%
Time deposits	104,650	(4,558)	4.4%	83,971	(2,985)	3.6%
Deposits Merchant banking	139,675	(6,640)	4.8%	113,308	(3,732)	3.3%
Deposits originated by Commercial and Private banking						
Non-interest bearing demand deposits	4	0	0.0%	7	0	0.0%
Interest bearing demand deposits	27,333	(484)	1.8%	24,074	(350)	1.5%
Deposits from central banks	0	0	0.0%	0	0	0
Saving deposits	1,938	(77)	4.0%	2,440	(93)	3.8%
Time deposits	14,200	(509)	3.6%	11,552	(287)	2.5%

	2006			2005		
	Average Balance[(1)]	Interest	Average Rate	Average Balance[(1)]	Interest	Average Rate
	(EUR million, except %)					
Deposits Commercial and Private banking	43,474	(1,070)	2.5%	38,074	(731)	1.9%
Deposits originated by Other banking:						
Non-interest bearing demand deposits	39	0	0.0%	50	0	0.0%
Interest bearing demand deposits	1,007	(100)	10.0%	1,197	(18)	1.5%
Deposits from central banks	0	0	0	0	0	0
Saving deposits	17	(2)	10.0%	1,024	(2)	0.1%
Time deposits	12,286	(438)	3.6%	9,301	(501)	5.4%
Deposits Other banking	13,348	(540)	4.0%	11,573	(521)	4.5%
Total	286,504	(10,156)	3.5%	245,921	(6,524)	2.7%
Total Deposits by type of Deposit:						
Non-interest bearing demand deposits	150	0	0.0%	98	0	0.0%
Interest bearing demand deposits	84,959	(2,857)	3.4%	73,728	(1,240)	1.7%
Deposits from central banks	84	0	0.1%	3	0	0.3%
Saving deposits	58,475	(1,248)	2.1%	57,375	(1,225)	2.1%
Time deposits	142,835	(6,050)	4.2%	114,719	(4,059)	3.5%
Deposits banking	286,504	(10,156)	3.5%	245,923	(6,524)	2.7%

(1) The average balances are calculated from quarterly data.

The following table shows the maturities of Fortis banking's deposits at December 31, 2007 due to banks and deposits due to customers. The total deposits at December 31, 2007 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	957						9,285	10,243
Time deposits	72,563	39	10	7	17	286	4,615	77,537
Other deposits	20	12	13	12	11	32	36	136
Total	73,540	51	23	19	28	318	13,936	87,916
Deposits due to customers:								
Demand deposits	7,776	—	—	—	—	—	79,414	87,190
Savings deposits	2,362	9	1	1	1	278	48,144	50,795
Time deposits	63,449	1,817	1,398	926	1,312	9,252	1,090	79,245
Other deposits	34	1	1	1	1	17	249	301
Total	73,621	1,827	1,400	928	1,314	9,547	128,897	217,531
Total Deposits	147,161	1,878	1,423	947	1,342	9,865	142,833	305,447

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's short-term borrowings from banking operations:

	At December 31,		
	2007	2006	2005
	(EUR million, except %)		
Securities sold under repurchase agreements:			
Year-end balance	111,196	109,917	140,663
Average balance outstanding during the year	112,370	130,533	129,380
Maximum quarter-end balance	113,269	144,041	151,103
Weighted average interest during the year	4.0%	3.7%	3.1%
Commercial paper:			
Year-end balance	38,144	39,155	39,550
Average balance outstanding during the year	43,311	38,895	25,087
Maximum quarter end balance	48,590	40,672	39,550
Weighted average interest during the year	4.0%	2.6%	2.5%

Capital

The following table sets forth certain information relating to Fortis Bank's capital:

	At December 31,		
	2007	2006	2005
	(EUR million, except %)		
Breakdown of assets:			
Weighted Risks(1)	270,207	240,104	212,095
Total Capital(2)	27,231	26,664	22,210
Ratios — Tier 1 Capital(2)	9.5%	7.1%	7.4%
Total Capital(2)	10.1%	11.1%	10.5%

(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, 2007, 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's banking operations have market risk exposures in both its non-trading and trading portfolios. Because Fortis's insurance operations do not have trading portfolios, they do not incur market risk relating to such activities.

Risk Management Philosophy

Fortis defines risk as the deviation from anticipated outcomes that may affect the value, capital or earnings of Fortis. Fortis's risk thus stems from its exposure to external or internal risk factors in conducting its business activities. Risk taking is an integral part of Fortis's value proposition to its shareholders. Fortis aims to take risks of which it has a good understanding and which can be adequately managed either at individual or at overall portfolio level. Fortis actively seeks exposure to these risks if it is efficient and affordable to do so. Risks that are not actively sought but rather arise as a consequence of conducting business are reduced to acceptable levels.

Fortis aims to meet its shareholders and stakeholders expectations and to take and manage risks in a controlled and transparent manner.

At Fortis, risk management is based on the four guiding principles resulting from its risk governance framework:

- *Optimizing risk/return in a controlled manner at high standards:* Fortis is a professional risk taker; assuming risk (both actively and passively) is intrinsic to how Fortis creates value for its shareholders. To ensure Fortis delivers superior shareholder value creation, its risk taking is both controlled and directed towards businesses that provide shareholders with attractive risk-adjusted returns.

- *Clearly established responsibility and accountability:* Fortis operates according to the principle of delegated authority. Individuals or business units are fully responsible for their decisions and their incentives are aligned with Fortis's business objectives.

- *Independent and properly resourced risk management functions:* Risk-taking activities require the independent supervision of the risk management function. Well-resourced independent risk management, which is clearly separate from any business decisions, is essential in order to avoid conflicts of interest, to ensure proper risk governance and, consequently, to enforce the Group Risk Policy.

- *Open risk culture to promote trust and confidence:* Risk transparency and responsiveness to change are integral to Fortis's business culture. Fortis has institutionalized processes to facilitate risk management knowledge sharing within the group and with external stakeholders.

Risk Monitoring and Management

Fortis's Risk Management organization is designed to enable the implementation of Fortis's risk strategy and to ensure:

- clear responsibility and accountability regarding risk management;

- independence of the risk management functions; and
- transparent and coherent risk-related decision-making throughout Fortis Group, covering all risks of the Fortis risk taxonomy.

Risk management and monitoring are performed throughout Fortis Group by delegated authorities ranging from the local risk management organization in geographical areas, to the business risk management and to Central Risk Management in close cooperation with Asset & Liability Management. For additional information see Note 7.3 "Risk Management Organization" of the Notes to the 2007 Consolidated Financial Statements, incorporated by reference herein.

Fortis has established the Central Risk Management ("**CRM**") department, which is led by the Chief Risk Officer. Its primary role is to ensure that the Fortis Group pursues consistently high standards of risk management, to raise executive management's awareness and understanding of the risks being taken, to encourage optimization of the risk/return ratio, to measure group-wide economic capital and to validate risk models. CRM provides support to the businesses regarding risk issues and supports the work of the various risk committees. It also coordinates the implementation of risk initiatives and risk communication. The presence of an integrated risk management framework across the Banking and Insurance activities is perceived as one of Fortis's strengths by internal parties (Fortis Audit Services, Investor Relations) and external parties (rating agencies, investment analysts and regulators). CRM is also responsible for coordinating communication with these parties.

Asset & Liability Management ("**ALM**") is charged with closely monitoring all ALM risks related to the balance sheet of Fortis Group and its Banking and Insurance entities. ALM performs its duties in accordance with the decisions made by the Group Asset and Liability Committee and with due observance of the conditions set by Fortis Bank, Fortis Insurance and the supervisors. ALM defines Fortis's risk appetite and manages its risks by setting up risk guidelines and risk levels. It aims to apply the best practices in risk management that have been defined by the regulators and rating agencies.

At the level of business risk management, Each business:

- is responsible for managing its inherent risks within the limits, policies and guidelines set by regulators and Central Risk Management
- has a Business Risk Committee, which supports its management team in ensuring that key risks are well understood and that appropriate risk management procedures are in place
- is responsible for managing its inherent risks and ensuring that it has comprehensive risk management systems in place which cover the full risk taxonomy.

The double reporting lines between the Business Chief Risk Officer (and the Business Chief Executive Officer) and the Group Chief Risk Officer are designed to reinforce the principles of full transparency on risk-related information (e.g., risk quantification, profitability, reserves, limits, capital, methodologies, assumptions and risk management organization) between the businesses and CRM, compliance with group policies, guidelines and limits, and independence of the risk function in the risk decision and monitoring process.

Fortis Audit Services ("**FAS**") supports the achievement of Fortis's objectives by providing professional and independent assurance. FAS evaluates the effectiveness of governance, risk and control processes and recommends solutions for optimizing them. Fortis Audit Services regularly audits the risk management functions of Fortis at group, business and local levels.

The overall responsibility for the risks taken by Fortis rests with the Fortis Board, which has put in place a comprehensive risk committee structure to ensure that risk decisions are taken at the appropriate level. In order to fulfill its risk mission, the Fortis Board has the support of both the Fortis Risk and Capital Committee and the Fortis Audit Committee. The Fortis Board has delegated the day-to-day management to the Executive Committee under the leadership of the Chief Executive Officer (CEO). The Fortis Risk Committee Structure is described below.

Board Risk Committees

*Risk and Capital Committee ("**RCC**")*

Composed of non-executive Board members, the RCC meets at least three times a year and assists the Board in understanding the risks run by Fortis that are typically inherent to Banking and Insurance activities, overseeing the proper management of these risks, and ensuring the adequacy of Fortis's capital relative to these risks and to those inherent to its overall operations. The main responsibilities of the RCC are to approve the risk governance framework and to make recommendations to the Board on the target risk profile and the related relevant policies.

Fortis Audit Committee

Not being a risk committee, the role of the Audit 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. At least once a year the Audit Committee, on behalf of the Board of Directors, reviews the quality and effectiveness of procedures and structures under which risks at Fortis are managed, risk-related accounting policies, capital assessment procedures and the performance of the internal control system.

Executive Risk Committees

The CEO reports to the Fortis Board on Fortis's risk profile and capital adequacy and presents proposals to the Fortis Board on risk policies and rules and on financing Fortis Group transactions. The Executive Committee is supported in its tasks by the Executive Risk Committees, which include the Fortis Risk Committee and the Group Asset and Liability Committee.

*Fortis Risk Committee ("**FRC**")*

The FRC, chaired by the Fortis Chief Risk Officer, supports the CEO and the Executive Committee in ensuring that the Group has an adequate understanding of its key risks and that it has a sound risk management in place. A key role of the FRC is to guarantee the consistency of risk management approaches across the Group (Bank and Insurance) and to make sure that risk-related topics at group level have been taken into account.

*Group Asset and Liability Committee ("**Group ALCO**")*

The Group ALCO approves the group strategic asset allocation and monitors overall Group-ALM exposure. Its responsibilities are asset and liability management, monitoring and control.

Corporate Risk Committees

The Fortis Board is supported in its tasks by the following Corporate Risk Committees:

- *The Central Asset & Liability Management and Market Policy Committee* ("**ALM & MPC**"), which defines the bank's balance sheet management policies and limits, monitors the balance sheet structure, approves ALM risk management structures, agrees on significant transactions affecting the balance sheet and signs off on new products launched by the business lines. These tasks also include monitoring of trading risk limits.
- *The Central Operational risk Policy Committee* ("**OPC**"), which establishes norms, policies and measurement standards in relation to operational risk-linked exposure.
- *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.

- *The Central Credit Committee* ("**CCC**"), which decides on individual obligor risks, including country and bank limits, and approves transactions above a certain level affecting the balance sheet, within the lending limit of the bank.

- *The Fortis Group Committee on Impairments and Provisions* ("**FGCIP**"), which supervises worldwide Value Adjustments ("**VA**") on a consolidated basis.

- *The Insurance Asset and Liability Committee* ("**Insurance ALCO**"), which makes proposals to the Insurance Risk Committee, which steers the strategic asset allocation at Fortis Insurance level and monitors and manages the overall Insurance ALM risk exposure.

Technical Risk Committees & Platforms

The Technical Risk Committees & Platforms consist of the following:

- *The Capital Platform*, which acts as a discussion forum for group capital related topics. The main purpose of the Capital Platform is information and know-how-sharing on capital related matters as well as ensuring alignment on capital related topics.

- *The Model Acceptance Group* ("**MAG**"), which takes decisions about technical/methodological issues, assessing regulatory compliance and consistency pertaining to credit risk assessment methodologies and model application.

- *The Operational ALCO Committee*, which is an implementation committee that takes the appropriate measures required to implement decisions taken by the Group ALCO.

- *The Liquidity & Funding Competence Centre* ("**LFCC**"), which is responsible for the steering and prioritization of Fortis's liquidity and the exchange of cross-sector (Banking-Insurance) knowledge of liquidity issues and advice on solutions for funding liquidity problems.

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 and 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

Fortis has classified each type of risk to which it is exposed into core risks and non-core risks. Core risks are those risks to which Fortis actively seeks exposure when it is efficient for the Fortis Group to do so and where exposure can be contained and managed either at individual or at overall portfolio level. The main sub-categories of core risks are credit risk, market risk (ALM risk and trading risk), insurance risk and liquidity risk. Insurance risk can be further broken down into property & casualty risk and life & health risk. Liquidity risk can be further split into funding risk and market liquidity risk. Non-core risks are risks that as a rule are not actively sought but arise as a consequence of conducting business. These include, but are not limited to, operational risk. Operational risk can be further broken down into business risk and event risk.

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

Trading risk refers to the potential losses resulting from unfavorable market movements, which can arise from trading positions held in financial instruments. In other words, trading risk arises in the trading portfolio due to changes in the market price of positions held in capital market instruments, including commodity securities.

Fortis's 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 occur in the dealing rooms of Brussels, Luxembourg, Amsterdam, New York, Houston, Hong Kong, Singapore, Taipei, Shanghai, London, Istanbul and Warsaw. All desks in the local dealing rooms report to Brussels.

Trading risk is limited to the Banking activities of Fortis and complies with the general risk strategy. More specifically, it is a part of the Merchant Banking activities, for which the daily outcome of transactions depends on developments in market prices, currency rates, interest rates, credit spreads, equity securities, commodities and energy prices.

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 CRM. Integrated risk management systems are installed in order 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, 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. All dealing rooms will be gradually integrated while front-office information technology systems are centralized.

Fortis applies the Value at Risk ("**VaR**") method based on the Extreme Value Distribution ("**EVD**") historical simulation mode with full revaluation of derivative products, usually referred to as historical VaR. The historical VaR is now the target approach for trading risk measurement worldwide

To calculate the historical VaR for the majority of products and activities, Risk Management uses a tailor-made system called MrMa (Market risk Management application). This system supports the following trading risk management functions:

- official (end-of-day) Mark to Market ("**MtM**") revaluation;
- stress testing and sensitivity analysis; and
- back-testing.

The historical VaR calculations in MrMa are based directly on the returns of each individual instrument of the portfolio (and not on an 'associated index + spread' solution). By using the Extreme Value Theory, data in the tail is used more efficiently.

Fortis Merchant Banking also manages an important portfolio of products directly exposed to credit spread variations. These products are asset-backed securities, debt instruments and credit derivatives and are accounted for as both trading and investment assets. Risk Management has implemented an internally developed VaR spread application on the MrMa platform, where credit spread data comes from independent external data providers.

Linear value-at-risk including all risk factors (in EUR million) is as follows:

	At December 31, 2007	2006	2005
		(EUR million)	
Highest VaR	40.1	40.6	22.9
Lowest VaR	15.2	16.2	10.0
Average VaR	29.5	24.8	14.4

Merchant Banking had a higher risk exposure on average in 2007 than it did in 2006. The VaR increased progressively during the first half of the year, driven mainly by more aggressive positioning on interest rates and equities. During the second half, the interest rate risk exposure was progressively downsized.

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 four 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);
- basis risk resulting from the imperfect connection between different reference rates (e.g., swap rates and government bond yields);
- 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 confidence 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 7.4.2 "Market risk" of the Notes to the 2007 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;
- participating interests 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 7.4.2 "Market risk" of the Notes to the 2007 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 7.4.2 "Market risk" of the Notes to the 2007 Consolidated Financial Statements, incorporated by reference herein.

ALM risk: Currency risk

Fortis's policy regarding currency exposure stemming from foreign holdings states that the structural foreign exchange risk position of Fortis must be hedged by covering 100% of the net asset value of foreign participations. Exceptions to those rules must be approved by the IRC.

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 Constant Proportion Portfolio Insurance ("**CPPI**") structure 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. While 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; and
- 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 insurance liabilities based on local regulatory requirements as of December 31, 2007. See "— Non-Life Insurance Liabilities; Establishment of Claims Liabilities" and "Life Insurance Liabilities; Establishment of Liabilities".

Where appropriate, Fortis insurance businesses 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 7.6 "Insurance Risk" of the Notes to the 2007 Consolidated Financial Statements, incorporated by reference herein.

Non-Life Insurance Liabilities; Establishment of Claims Liabilities

In accordance with industry and accounting practices and applicable insurance laws and regulatory requirements, Fortis's non-life companies establish liabilities for payment of claims and claims expenses for claims that arise from their respective non-life insurance policies. In general, Fortis companies establish claims liabilities by product, coverage and year.

Claim liabilities (also referred to as loss provisions) fall into two categories: liabilities for reported claims and claims expenses and for incurred but not yet reported claims and claims expenses.

Liabilities 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 liability is established. These liabilities 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 liabilities 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 liabilities, 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 liabilities 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 liabilities are reviewed and re-evaluated on a regular basis. Amounts ultimately paid in claims and claims expense can vary significantly from the level or liabilities originally set.

Liabilities 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 liability, like the liability 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 liability requirements. These liabilities 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 liabilities. 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 liability estimates are reflected in current results of operations. However, because the establishment of claims liabilities is an inherently uncertain process, there can be no assurance that ultimate losses will not exceed existing claims liabilities, and this risk is covered by the additional assets held as solvency capital.

Adequacy of Liabilities. 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 liabilities are adequate. Claims liability estimates are regularly reviewed and updated, using the most current information.

Any adjustments resulting from changes in liability estimates are reflected in current results of operations. However, because the establishment of claims liabilities is an inherently uncertain process, there can be no assurance that ultimate losses will not exceed existing claims liabilities.

The claims reserves development table shows at December 31, 2007 the movements over time of the prudent ultimate claim estimates per accident year and gives insight into the adequacy of claims liabilities. The table is prepared on the basis of accident year and all material figures quoted are undiscounted.

Gross Ultimate Claims (cumulative) for both P&C and A&H:

	2000 and prior	2001	2002	2003	2004	2005	2006	2007	2008
	(EUR thousands)								
At the end of the 1st Accident year	–	2,239,141	2,497,642	2,578,791	2,830,181	2,724,637	2,803,874	3,352,848	–
2002	–	2,260,960	–	–	–	–	–	–	–
2003	–	2,209,388	2,471,690	–	–	–	–	–	–
2004	–	2,194,275	2,427,014	2,476,665	–	–	–	–	–
2005	–	2,236,490	2,395,703	2,369,212	2,646,168	–	–	–	–
2006	–	2,180,604	2,379,275	2,329,529	2,515,126	2,698,682	–	–	–
2007	–	2,157,359	2,330,640	2,271,486	2,407,713	2,516,362	2,710,922	–	–
Gross Ultimate Claims at December 31, 2007	–	2,157,359	2,330,640	2,271,486	2,407,713	2,516,362	2,710,922	3,352,848	–
Cumulative Gross Paid to date at December 31, 2007	–	1,995,157	2,081,224	1,979,140	2,035,117	1,960,418	1,913,600	1,552,167	–
Gross Outstanding Claims liabilities (including IBNR)	958,963	198,201	249,416	292,346	372,596	555,945	797,322	1,800,681	5,225,470
Other claims liabilities (not included in the claims above)	–	–	–	–	–	–	–	–	706,672
Claims with regard to workers' compensation and health care	–	–	–	–	–	–	–	–	1,189,389
Total claims liabilities	–	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**7,121,531**

Life Insurance Liabilities; Establishment of Liabilities

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 ongoing expenses can also have a significant impact on the level of the required liabilities.

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 liabilities 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. The 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 to the acceptance of credit customers. These conditions reflect the general acceptable credit risk profile that Fortis has defined. Fortis operates in accordance with sound, well-defined credit-granting criteria in order to protect its reputation and ensure its sustainability. Fortis does not wish to be associated with dubious counterparties or credit facilities. The counterparty acceptance criteria include 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. Core credit risk parameters included in the estimation of expected loss, unexpected loss, and economic capital are probability of default ("**PD**"), loss given default ("**LGD**"), and exposure at default ("**EAD**").

Authorized persons or committees make a credit decision, informed by the opinion of a credit analyst. 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 achieve an appropriate balance (in terms of overall profitability) between two opposite drivers, i.e. maximizing the decision-making autonomy of the businesses on the one hand and reducing unexpected counterparty risk on the other.

Monitoring of credit risk is the permanent and automatic control of credit exposures and events with the primary purpose of early detection and reporting of potential credit problems. Surveillance consists of 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 credit problems in order to ensure that they are subject to proper monitoring, possible corrective action and classification.

Impaired credits are transferred to the so-called "Intensive Care" or "Recovery". Intensive Care develops strategies to rehabilitate an impaired credit or to increase the final repayment. It also provides assistance to the businesses in dealing with non-impaired problem loans. The Intensive Care function is segregated from the area that originated the credit. In the event that a counterparty fails to meet its obligations and is considered to be unable to meet them in the future, all other means must be applied in order to fulfill this counterparty's obligations towards Fortis, such as selling or realizing receivables, collateral or guarantees.

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, 2007	At December 31, 2006
Cash and cash equivalents	26,361	20,414
Assets held for trading		
Debt securities and treasury bills	21,620	22,199
Derivative financial instruments	28,848	21,545
Total assets held for trading	50,468	43,744
Due from banks		
Interest-bearing deposits	8,186	5,054
Loans and advances	8,986	6,230
Reverse repurchase agreements	65,858	49,592
Securities lending transactions	27,404	24,425
Other	8,619	4,855
Total due from banks	119,053	90,156
Impairments	(17)	(25)
Total net due from banks	119,036	90,131
Due from customers		
Government and official institutions	5,780	5,776
Residential mortgages	99,376	93,550
Consumer loans	9,787	10,398
Commercial loans	138,001	111,479
Reverse repurchase agreements	27,763	35,797
Securities lending	21,460	18,355
Other	16,183	13,374
Total due from customers	318,350	288,729
Impairments	(2,042)	(2,270)
Total net due from customers	316,308	286,459
Interest bearing investments		
Treasury bills	313	895
Government bonds	73,935	95,901
Corporate debt securities	47,491	44,561
Structured credit instruments	39,180	9,968
Total interest-bearing investments	160,919	181,325
Impairments	(2,600)	(12)
Total net interest bearing instruments	158,319	181,313
Net Reinsurance and other receivables	9,718	9,187
Total net on balance credit risk exposure	680,209	631,247
Net Off balance credit commitments exposure	158,485	164,817
Total credit risk exposure	838,694	796,064

A concentration of credit risk arises when the credit exposure of a group of counterparties 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 U.S. governments represent considerable credit exposure.

The table below shows Fortis's industry concentration of the customer credit portfolio at December 31, 2007 and 2006.

	At December 31,			
	2007		2006	
	Due from Customers	%	Due from Customers	%
	(EUR million, except %)			
Industry Sector				
Agriculture, forestry and fishing	1,929	0.61%	1,346	0.47%
Oil and gas	4,910	1.55%	3,808	1.33%
Basic Metals	4,441	1.40%	3,301	1.15%
Raw & intermediate materials	971	0.31%	951	0.33%
Consumer goods	8,202	2.59%	6,899	2.41%
Wood, pulp and paper products	1,137	0.36%	907	0.32%
Technology, media and telecom	3,138	0.99%	2,959	1.03%
Electricity, gas and water	7,529	2.38%	5,102	1.78%
Chemicals, rubber and plastic products	6,162	1.95%	5,223	1.82%
Construction and engineering	6,735	2.13%	5,264	1.84%
Machinery and equipment	5,197	1.64%	4,389	1.53%
Automotive	3,890	1.23%	3,436	1.20%
Transportation	966	0.31%	968	0.34%
Trade and commodity finance	14,371	4.54%	10,423	3.64%
Retail	3,720	1.18%	2,886	1.01%
Real Estate	21,093	6.67%	16,631	5.81%
Financial Services	69,684	22.03%	71,377	24.92%
Holdings & other services	23,513	7.43%	16,957	5.92%
Public & social services	14,826	4.69%	14,040	4.90%
Private persons	109,470	34.61%	102,989	35.95%
Non-classified	4,424	1.40%	6,603	2.31%
Total Due from customers net	316,308	100%	286,459	100%
Impairments	(2,042)		(2,270)	
Total Due from customers gross	318,350		288,729	

Two relatively significant concentrations in the exposure to customers can be noted in the sectors "Financial Services" and "Private persons", representing respectively 22% and 34.6% of the total customer loans. The first category consists mainly of non-banking financial institutions including investment and insurance companies. The decrease during 2007 in this sector was to a large extent related to the reverse repurchase and securities borrowing portfolio. "Private persons" consists of residential mortgage loans (91%) and consumer loans (9%). The growth of EUR 6.5 billion compared relative to the previous year is attributable 80% to customers within the Benelux, with the remaining part realised within other European countries.

The following table outlines the credit quality by investment grade of Fortis's debt securities at December 31, 2007, 2006 and 2005, based on external ratings.

	At December 31,					
	2007		2006		2005	
	Carrying Value	%	Carrying Value	%	Carrying Value	%
	(EUR million, except %)					
Investment grade						
AAA	75,085	47.4%	89,477	49.3%	81,070	46.3%
AA	45,448	28.7%	54,756	30.2%	61,810	35.3%
A	31,885	20.2%	31,770	17.5%	25,440	14.5%
BBB	2,376	1.5%	2,304	1.3%	2,074	1.2%
Investment grade	154,794	97.8%	178,307	98.3%	170,394	97.3%
Below investment grade	1,566	1.0%	1,451	0.8%	1,387	0.8%
Unrated	1,959	1.2%	1,555	0.9%	3,176	1.9%
Total net investments in interest bearing securities	158,319	100.0%	181,313	100.0%	174,957	100.0%
Impairments	2,600		12		34	
Total gross investments in interest bearing securities	160,919		181,325		174,991	

Geographic Exposure

The table below sets out the concentration of on-balance credit risk at December 31, 2007, 2006 and 2005, by location of the customer.

	At December 31,					
	2007		2006		2005	
	Credit Risk Exposure on Balance	%	Credit Risk Exposure on Balance	%	Credit Risk Exposure on Balance	%
	(EUR million, except %)					
On-balance						
Benelux	253,674	37.0%	251,842	39.7%	240,066	39.1%
Other European countries	299,399	43.7%	289,364	45.7%	270,445	43.9%
North America	97,887	14.3%	70,778	11.2%	79,541	12.9%
Asia	20,141	3.0%	11,343	1.8%	11,093	1.8%
Other	13,827	2.0%	10,316	1.6%	14,263	2.3%
Total	684,928	100.0%	633,643	100.0%	615,408	100.0%

The table below provides information at December 31, 2007 on the on-balance concentration of credit risk by location of customer and type of counterparty.

	At December 31, 2007					
	Government and Official Institutions	Credit Institutions	Corporate Customers	Retail Customers	Other	Total
	(EUR million)					
On-balance						
Benelux	33,036	12,549	92,473	101,215	14,401	253,674
Other European countries	53,334	120,500	92,308	6,232	27,025	299,399
North America	906	25,763	58,440	60	12,718	97,887
Asia	278	9,835	7,732	272	2,024	20,141
Other	2,101	3,061	7,247	140	1,278	13,827
Total on-balance	89,655	171,708	258,200	107,919	57,446	684,928

In this table, Government and official institutions includes mandatory reserve deposits with central banks (EUR 8.2 billion). Credit institutions comprises Due from banks and Debt securities issued by banks (including cash and cash equivalents). Trading assets are reported in the column Other. The upward evolution in Credit Institutions in North America is mainly driven by the increase in security borrowing activities in the United States.

Additional information on credit risk exposure can be found in Note 7.4.1 "Credit Risk" of the Notes to the 2007 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 the governance of operational risks, for the identification, assessment, measurement and reporting of those risks and for their mitigation. The embedding and use of the framework are assessed periodically.

The ORMC framework is fully implemented across all Banking businesses in compliance with Basel II requirements and will be implemented overtime in an appropriate manner for the Insurance companies.

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 exceptional 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.

BUSINESS

Overview

Fortis is a leading provider of financial services in the Benelux region, which is one of Europe's wealthiest.[9] 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 financial services to companies, institutional clients and high net worth individuals and provides integrated solutions to the enterprise and the entrepreneur. Fortis's unique expertise has made it a regional and in some cases global leader in niche markets, such as energy, commodities and transportation, and fund administration. Fortis successfully combines its banking and insurance skills in growth markets in Europe and Asia, and has a strong presence in bancassurance in several countries, such as Belgium, Portugal and Malaysia.

Fortis ranks among Europe's top 20 financial institutions, with a market capitalization of EUR 40 billion and total assets of EUR 871 billion at year-end 2007. Together with ABN AMRO, Fortis has a presence in over 50 countries and a dedicated, professional workforce of more than 85,000 employees, making Fortis a leader in financial services in Europe, a top three private banker and top tier asset manager.

The below listed ratings were confirmed by Fitch Ratings, Moody's and Standard & Poor's immediately after the announcement of the terms of the ABN AMRO Acquisition on July 16, 2007, and are still current at the date of publication of this Prospectus although Standard & Poor's and Moody's recently changed their outlook from stable to negative.

	Long-Term Debt	Short-Term Debt	Outlook
Fitch Ratings	AA-	F1+	Stable
Moody's	Aa3	P-1	Negative
Standard & Poor's	A+	A-1	Negative

These ratings are subject to change at any time and are not a guarantee of a company's financial strength or security.

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 realize 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 translates into a 12% CAGR (for 2006-2011) based on a 2006 cycle-neutral profit base,[10]
- Return on Equity of 18.5% and Risk-Adjusted Return on Risk-Adjusted Capital (RARORAC) of 18.5%;
- Operating leverage[11] of at least 250 basis points;

9 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.

10 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.

11 Operating leverage is defined as the difference between the percentage growth in total revenues, prior to changes in provisions, and in total expenses.

- 30% of net profit generated outside the Benelux by 2009; 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, 2006 and 2007, 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 is 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, Merchant Banking and Asset Management & Private Banking businesses, and Fortis-wide cost management is expected to result 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 harmonized cross-border core banking platform and will seek to raise customer satisfaction through services tailored to each segment.
- The new Merchant Banking and Asset Management & Private Banking organization will optimize 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 Banking and Asset Management & 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.

Relationship with Ping An Insurance (Group) Company of China

On November 28, 2007, Fortis entered into a Memorandum of Understanding (the "**MoU**") with Ping An Insurance (Group) Company of China Ltd., which had, through a subsidiary, taken a stake of approximately 4.18% in Fortis. As a result, Ping An is now the single largest shareholder of Fortis and adheres to the Fortis Governance Statement.

Under the MoU, Ping An, acting alone or in concert, may not hold directly or indirectly, as a result of a private transaction or of a public offering (from which Ping An commits to refrain), more than 4.99% of the share capital of Fortis without the prior consent of Fortis. Beyond such a stake, Fortis's approval is required in stages, i.e. beyond 4.99% and beyond 7%. Ping An is nonetheless entitled to (i) readjust its stake up to its previous level if and when any event attributable to Fortis results in a dilution of such stake, or (ii) increase its stake in Fortis beyond the limits referred to above should Fortis welcome any third party, acting alone or in concert, to hold a higher percentage than the stake then held by Ping An.

Under the MoU, Ping An is entitled to propose the appointment of one non-executive director to the Fortis Board, provided Ping An holds at least 4% of the share capital of Fortis. It is up to the Annual General Meetings of Shareholders of Fortis to decide on such appointment upon the proposal of the Fortis Board based on the recommendation of the Fortis Nomination and Remuneration Committee. If the non-executive director elected based on Ping An's proposal disagrees with the majority of the Fortis Board regarding a resolution to be submitted to the Extraordinary General Meetings of Shareholders, Ping An is entitled to sell its stake in Fortis either to Fortis itself or to a third party designated by Fortis or, should no agreement be reached on the sale price, to such person and in such manner as Ping An shall deem fit.

Under the MoU, if Fortis offers more favorable terms to any other shareholder in the future, it will be required to extend the same more favorable terms to Ping An. The commitments entered into by Ping An apply to Ping An itself and to its subsidiaries. The MoU was concluded for a three-year term and may be renewed or terminated by mutual consent. The MoU reflects the intention of Ping An to hold its stake in Fortis as a stable shareholder as long as the MoU remains in force, subject to various events, among which a merger or a general offer for Fortis either recommended by the Fortis Board or in respect of which more than 50% of the Fortis shares have been committed by other shareholders. Should Ping An sell its stake after the expiry date of the MoU, Fortis may exercise a right of pre-emption.

Ping An Asset Management Agreement

On April 2, 2008, Ping An and Fortis signed an agreement that formalized the establishment of a global asset management partnership between the two companies. Under the agreement, Ping An agreed to acquire a 50% equity stake in Fortis Investments for EUR 2.15 billion. The partnership is expected to allow Ping An to advance its strategy to establish a global asset management business and a Qualified Domestic Institutional Investor platform, while Fortis is expected to benefit from enhanced access to the growing economies of China and Asia, which would allow Fortis to accelerate the development of its business in the region.

The agreement confirmed the principal terms set out in the memorandum of understanding between the parties of March 19, 2008. Fortis Investments will be re-branded "Fortis Ping An Investments" and its board will consist of twelve directors (six non-executive, two executive and four independent). Fortis and Ping An will each nominate three non-executive directors and propose two independent directors. The senior management of Fortis Investments will remain unchanged.

The agreement remains subject to certain conditions, such as receipt of applicable regulatory approvals, and is expected to close in mid-2008.

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, and 2005 are described below.

(i) Pacific Century Insurance

On May 25, 2007, Fortis announced that it finalized 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 totaled EUR 666 million. Fortis has undertaken a compulsory acquisition for the remaining 1.41% of the shares at a price of HKD 8.18 (EUR 0.79).

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 2,000 tied agents, the fifth largest agency sales force in Hong Kong.

The Value of Business Acquired ("**VOBA**") is based on the traditional-embedded value method and amounts to EUR 317 million and the goodwill amounts to EUR 241 million as reflected in the Fortis 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 modern nationwide branch network in Poland. 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 acquisition price was EUR 240 million and the goodwill was EUR 222 million as 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's interest in Disbank came to 93.3% of the share capital of Disbank.

The caption "Goodwill and other intangible assets" recognized in the balance sheet upon acquisition includes goodwill of EUR 333 million 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.

The caption "Goodwill and other intangible assets" recognized in the balance sheet upon acquisition includes goodwill of EUR 165 million and Value of Business Acquired ("**VOBA**") of EUR 528 million.

The acquisition price amounted to EUR 514 million and was settled in cash.

(vii) Other

	Quarter of Acquisition	Acquisition Amount	Percentage Acquired	Capitalized Intangible Assets	Goodwill/ (Negative Goodwill)	Segment
			(EUR million, except %)			
Acquired company						
Fortis Lease SPA	Q1 2005	52	100%	23	5	Merchant & Private Banking
Able Brookers	Q3 2005	27	100%	3	21	Insurance International
Atradius	Q4 2005	64	100%	0	36	Merchant & Private Banking
Dryden	Q4 2005	79	100%	7	(17)	Merchant & Private Banking
Dreieck Industrie Leasing AG	Q1 2006	64	100%	29	4	Merchant & Private Banking
O'Connor & Company	Q1 2006	58	100%	0	14	Merchant & Private Banking
Von Essen KG Bankgesellschaft	Q1 2006	93	100%	3	31	Retail Banking
William Properties	Q3 2006		100%	15	25	Insurance Netherlands
Captive Finance Limited	Q2 2007	31	100%	0	17	Merchant & Private Banking

The amounts of the capitalized intangible assets and the goodwill presented above are the initial amounts, converted to euro 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. Subsequent changes due to net exchange differences and other changes are excluded. These acquisitions did not have a substantial impact on Fortis's financial position and performance.

Fortis announced on October 5, 2006 its agreement with An Post, the Irish postal service, with respect to a joint venture, called Postbank Ireland Ltd., through which a broad range of financial products and services will be offered to the Irish market. The new bank is a 50/50 partnership between An Post and Fortis with an initial capital of EUR 112 million. The European Commission approved Fortis's joint venture with An Post on January 12, 2007. On April 18, 2007, the Irish Financial regulator granted An Post Financial Services a banking license and the joint venture was effectively launched at May 1, 2007. This investment is accounted for using the equity method and is reported in the section Investments in associates and joint ventures on the balance sheet

Disposals

On July 12, 2007, Fortis and "la Caixa" announced that they agreed that "la Caixa" would acquire all of Fortis's interests in the Spanish bancassurance joint venture CaiFor for a total cash consideration of

EUR 980 million, including a 2007 interim dividend of EUR 30 million The transaction was completed on November 13, 2007. In accordance with IFRS 5 Non-current Assets held for Sale and Discontinued Operations, Fortis's 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's 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.

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 58% and 42%, respectively, to the net profit for 2007. The general segment (which consists of group treasury and finance and other holding activities) reduced net operating profit by 10% in 2007.

The diagram below summarizes the legal structure of Fortis as of March 31, 2008.

Business overview

Principal activities

Fortis is an international provider of financial services to personal, business and institutional customers. Fortis delivers a total 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's core activities are banking and insurance.

As of January 1, 2008, Fortis has reorganized its activities into four core businesses:

- *Retail Banking:* provides financial services to individuals, professionals and small businesses;
- *Asset Management & Private Banking:* offers integrated and international solutions for the assets and liabilities of high net worth and ultra high net worth individuals;
- *Merchant Banking:* offers tailored financial products and services to medium-sized Europe-oriented businesses and large international companies and institutions;
- *Insurance:* provides life and non-life products in the home markets of the Benelux countries and in selected European and Asian markets.

On January 1, 2007, Fortis reorganized its activities into three core businesses. The main difference between the most recent reorganization and that in 2007 is the reorganization within the Bank segment. The three core businesses in 2007 were:

- *Retail Banking*
- *Merchant & Private Banking*
- *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 group Executive Committee.

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 optimize return on assets.

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

Segment reporting

Fortis is as of January 1, 2008 organized on a worldwide basis into four 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 eight 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 affluent customers and small businesses, while Dominet, a Fortis subsidiary, seeks to roll out Retail Banking's consumer finance and mass retail business in this market. 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, 2007 Retail Banking had over 18,000 employees and contributed 33% 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 1,800 branches or credit shops in more than 350 cities, 2,500

Selfbank terminals and ATMs, online banking, telephone banking and call centers. Together with ABN AMRO, Retail Banking seeks to strengthen its position as a leading financial institution in The Netherlands and in the Benelux region. Customers will benefit from a stronger product portfolio through a wider branch network with nationwide coverage and full SME-banking.

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 the Benelux and the international roll out of proven models.[12] 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; and
- International rollout of proven models to expand European presence.

European presence

Retail Banking has a leadership position in the Benelux,[13] one of Europe's wealthiest areas. Following the acquisition of the ABN AMRO Businesses, it is the largest bank in terms of retail financial services,[14] and is a very large credit card issuer, with four million credit card holders in the Benelux and Turkey.

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, 2007, Retail Banking Belgium had 1,064 branches, many of which have been upgraded and their opening hours extended. Additionally, at strategic and frequented places throughout Belgium, Retail Banking has installed a network of 45 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's state-of-the-art online banking system has been upgraded and as of December 31, 2007

12 Source: Investor Day March 2007.

13 Source: The Banker, July 2007, based on total assets 2006.

14 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.

was actively being used by approximately 1.4 million customers (a 17% increase compared to year-end 2006).

In addition to the Fortis labeled network, Fortis banking and insurance 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 access to the third largest distribution network in Belgium based on number of outlets.

The 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 its proprietary network, Retail Banking expanded its DirectService concept to the majority of its 158 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 personalized 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. 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 243 branches, all operating under the Fortis brand since November 2005. In 2007, 40 new branches were opened and an ambitious branch expansion program is in place for the next five years. In addition, recent mortgage legislation will facilitate the introduction of new home loan products and new funding instruments, which Retail Banking will be prepared to provide.

Poland

In Poland, Retail Banking is focusing on the development of the Affluent and P&S bank 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 (over 180 branches) and to an important car dealer distribution network where it can sell its car insurance and financing products.

Ireland

Through the joint venture with An Post in Ireland, named Postbank, Retail Banking made an important step in extending its multi-channel network throughout Europe. Using Fortis’s 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 were 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. Initial services included a demand deposit account and a guaranteed investment product and were extended in the first quarter of 2008 to include current accounts, credit cards, internet banking and ATM facilities.

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 and the acquisition of Dominet Bank in Poland in March 2007. The acquisition of the ABN AMRO Businesses will strengthen that position.

In addition to this external growth, Consumer Finance rolled 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 credit is comparable to buying any other consumer product: easy, fast and reliable. As of December 31, 2007, 292 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.

	At December 31, 2007			
Retail Banking	**Belgium**	**Netherlands**	**Luxembourg**	**Total**
	(EUR billion)			
Mortgage loans	25.9	32.0	2.5	61.5
Consumer loans	3.0	2.4	0.7	8.1
Commercial loans	10.6	1.5	1.3	15.2
Total	39.5	35.8	4.5	84.8
Demand deposits	12.4	4.3	2.9	20.3
Saving deposits	39.8	7.7	2.1	49.7
Time deposits	12.9	2.3	4.6	23.2
Total	65.0	14.3	9.6	93.2

	At December 31, 2006			
Retail Banking	**Belgium**	**Netherlands**	**Luxembourg**	**Total**
	(EUR billion)			
Mortgage loans	23.9	29.1	2.2	56.7
Consumer loans	2.7	2.3	0.8	7.1
Commercial loans	9.8	1.3	1.1	14.4
Total	36.4	32.7	4.1	78.2
Demand deposits	11.8	5.3	3.2	22.6
Saving deposits	44.5	7.8	1.8	54.5
Time deposits	7.5	0.4	3.9	14.5
Total	63.9	13.5	8.9	91.6

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	0.1	—	0.1	0.4
Total	32.3	27.2	3.8	68.0
Demand deposits	12.1	3.8	2.9	20.2
Saving deposits	44.2	9.5	1.9	56
Time deposits	4.4	0.5	3.4	8.7
Total	60.7	13.7	8.2	84.9

Asset Management & Private Banking

Overview

The mission of Asset Management & Private Banking is to become a leading international asset gatherer through asset management activities for institutional, private and retail clients and private banking products and services for High Net Worth and Ultra High Net Worth individuals as well as Entrepreneurs. As of January 1, 2008, Asset Management has been regrouped into one business to maximize the benefits from the integration of Fortis and ABN AMRO and to better service the needs of Fortis's growing customer base.

As of December 31, 2007, Asset Management & Private Banking had 2,900 employees and contributed 3% of Fortis net profits. Its extensive asset management products were sold to customers in over 30 countries. Together with ABN AMRO, Asset Management & Private Banking is a leading European wealth management provider and expects to grow strongly in Asia.

Asset Management & Private Banking is comprised of Fortis Investments and Fortis Private Banking. Fortis Investments is the asset manager of Fortis and as at December 31, 2007 had EUR 133 billion in assets under management and 21 investment centers in Europe, the United States and Asia. Fortis Private Banking offers integrated and international asset and liability management solutions to high net worth individuals, covering their private and business needs.

Fortis recently sold a stake in Fortis Investments to Ping An Insurance (group) Company of China. See "*Business — Ping An Asset Management Agreement*".

Strategy

The strategy behind combining Fortis Investments with the asset management activities of ABN AMRO was to produce a global asset manager in terms of reach and scale. Asset Management & Private Banking expects that this combination will also offer access to high-growth markets and capabilities in high-growth product areas and is implementing a fast track integration process focused on client retention and retaining key investment and sales staff to leverage this growth.

The combined strengths of ABN AMRO and Fortis Private Banking will make Private Banking one of the largest private banks in Europe (based on assets under management). Private Banking will build on its client-driven approach by joining forces with ABN AMRO to become an international private bank with a unique European network and an established European presence. Through Fortis's deep local roots, Private Banking will offer its clients the best of local and international services and advice. Private Banking is continually selecting the best solutions for its clients and innovating the way it interacts. The increase in size allows exclusive focus on High Net Worth and Ultra High Net Worth clients. Private Banking will continue to pursue the pan-European "enterprise and entrepreneur" approach, offering dedicated services to business owners, in close cooperation with Commercial banking.

Asset Management

Fortis Investments is the autonomous asset manager of Fortis, operating through a worldwide network of sales offices and some 40 dedicated investment centres across Europe, Asia and the Americas. and is a multi-centre, multi-product global asset management company. With a leading position in Europe, a substantial position in Asia and an enlarged presence in the Americas, it has a global base of local investors, both institutional customers and distribution partners and over 50% of its revenues are generated by third party clients. Its partnership with Ping An, China's second largest life insurer, is a development that will bring unique opportunities in one of the world's fastest developing markets.

During 2007 Fortis Investments' corporate CDO business did not experience any defaults or have any of its transactions placed on negative watch or downgraded. Fortis Investments' ABS CDOs were impacted by the subprime crises. Asset gathering of Fortis Investments' SRI business was due to strong inflows into global sustainability investment products from a broad range of client types.

In the United States, Fortis Investments won a mandate to manage a USD 250 million Equity Best Selection World portfolio for a major institutional client, representing the largest initial funding for an equity mandate won by the company and reflecting the institutional market's recognition of Fortis Investments as a top global growth equity manager.

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,		
	2007	**2006**	**2005(1)**
		(EUR million)	
Funds under management	132,916	120,774	105,067
Group	74,122	71,116	66,838
Third-party	49,229	40,661	32,993
Collateralized Debt Obligations	9,610	8,997	5,236

(1) 2005 has been restated to reflect the Collateralized Debt Obligations ("**CDO**") activity on a separate line.

Fortis Investments is structured around 41 dedicated investment centers, each focused on one asset class/capability and based in over 20 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 some 600 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 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 around the world. This 'global, local' organization provides Fortis Investments with first-hand knowledge of local markets and client needs.

Key strategic goals

- Consolidate a global leading position;
- Leverage its extensive, enhanced product and distribution opportunities post-integration;
- Pursue innovation in its product offering;
- Exploit growth potential in Asia, in particular via the proposed Ping An partnership.

The acquisition of the ABN AMRO Businesses is entirely within these strategic goals.

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. 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

The integration with the asset management arm of ABN AMRO has seen Fortis Investments extending and developing its range of products/solutions offering to meet growing client needs and to take advantage of market developments. New segments have been added to its range of funds allowing customers to diversify their exposure and to customize 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 The Netherlands, the Nordics, France, Belgium, Japan and Australia, with aspirations in the United States, United Kingdom and Germany. Institutional clients are made up from, among others, corporate pension plans, endowments, foundations and public funds.

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's 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, actively seeking the best in class/best of breed provider for a product). Private Banking has a client centric approach in which a wide range of services are offered in the field of Wealth Structuring, Financing, Investments, Real Estate and Insurance.

Close cooperation 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 offer its high-net-worth clients worldwide the best of local and international services and advice, throughout the different stages of their lives and in any economic environment, continuously selecting the best solutions for its clients and innovating the way Fortis interacts. 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.

In 2007, Fortis Private Banking focused on expanding its integrated services and solutions for international high net worth clients, both geographically (in the UK and Asia) and in product range. The launch of Private Banking in the UK provides the opportunity to offer full wealth management services to new and existing UK and international clients, covering Private Investment Management, off-shore banking, trust and property finance with new banking capabilities. The ambition to expand its service offering with innovative solutions proved successful: various structured products were launched and Private Banking realized its biggest new placement ever with the Dynamic Real Estate Fund III.

Despite global market circumstances, assets under management increased from EUR 79 billion as at December 31, 2006 to more than EUR 83 billion as at December 31, 2007 by attracting more than EUR 5 billion in net new assets. Outstanding credits and loans to Ultra High Net Worth Individuals increased significantly with more than EUR 3.5 billion in 2007. In addition to Lombard Lending, a successful finance solution was the Cross Border Mortgage loan for second residences.

In 2007 Fortis Private Banking won the title of "Best Relationship Management" in The Netherlands and "Best Philanthropy services" in a number of countries, including Belgium, for philanthropy services.

Merchant Banking

Merchant Banking is the combination into one core business unit of Fortis Bank's former business lines: Merchant Banking and Commercial & Private Banking, with Private Banking having been moved to the Asset Management & Private Banking core business unit as of January 1, 2008. Merchant Banking is organized around (i) core competences and products: Skills; and (ii) customer relations: Clients.

Merchant Banking offers a comprehensive range of banking products and skill-oriented financial services to large international companies, institutional customers and medium sized enterprises. Merchant Banking boasts a strong client franchise in the Benelux and in selected European markets, as well as in selected areas of North America and Asia. 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 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 Banking seeks to optimize 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 Banking will use three key levers to meet its goal: revenue growth, cost efficiency and risk management.

Merchant 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 minimize 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. Merchant Banking has also developed a Credit Portfolio Management system whereby credit risk is measured and reviewed on a portfolio basis, enabling better control.

In February 2006, Merchant 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; and
- Superior customer advice backed by international expertise.

Customer Approach and Product Development

The Merchant 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 CO2 emission trading. In 2006, Global Markets realized Fortis first Certified Emission Rights ("**CER**") transaction. In 2007, Global Markets reinforced Fortis's global carbon banking leadership through sizeable CER transactions with over 15 counterparties. 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.

Creating a virtual dealing room has enabled Fortis to optimize its customer services, with a more coordinated product offering, individualized 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.

Capitalizing 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's goal of simultaneously providing clients with global reach and with local focus and expertise.

Business Segments

Merchant & Private Banking is organized around four business segments: Markets; Commercial & Investment Banking; Specialized Finance; and Corporate & Public Banking

Markets

Global Markets

Global Markets provides tailored and integrated solutions to corporate clients, financial institutions, medium sized enterprises, private banking clients, governments and public entities in 25 countries across Europe, America and Asia.

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 centers 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.

Global Markets comprises the Institutional Banking and Clearing, Funds & Custody business lines, which are described below.

Institutional 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 centers and cities in Belgium and The Netherlands.

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.

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 optimization. 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.

Commercial& Investment 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, 2008, this network consists of 126 dedicated Business Centers in 19 countries covering most of Europe but also China and Turkey. Fortis Bank continued to pursue focused expansion in 2007 by strengthening its network of Business Centers in Turkey, Germany, Poland and the UK. 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. In 2007, Commercial Banking brought the total number of customers to 90,000, 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 securitizations);
- Risk management products, covering exchange rate, interest rate, commodity and equity risks; and
- 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.

Investment Banking offers a wide variety of financial services, including corporate finance, structured 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, 2007 exceeded EUR 2.0 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.

Specialized Finance

Specialized Finance consists of Energy, Commodities & Transportation, 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 Specialized Finance entity is provided below.

Energy, Commodities & Transportation ("ECT") offers financial solutions to these three industry sectors in which Fortis has a strong regional or global leadership position. In 2007, ECT was able to grow its client base (e.g., in Brazil and Dubai), expand its product range (e.g., commodity derivatives, bases and precious metals from Hong Kong to New York) and provide all financial products in a "one-stop shop".

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 3 billion at December 31, 2007, Fortis Lease Group ranks number 11 of leasing companies in Europe and is among the top four for those with European coverage.

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 strengthened its global footprint to 23 countries by concluding the acquisition of Captive Finance, which is present in Scandinavia and Asia. Also in 2007, Fortis Lease obtained a license to establish a subsidiary in China.

Fortis Commercial Finance ("FCF") is active as a factoring company in 20 countries and is the fifth largest factor in Europe based on volume in 2006.[15] In 2007, FCF signed a cooperation agreement with Intermarket Group, allowing FCF to add factoring to its product range in Central Europe.

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.

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.

The internationalization 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 internationalization 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 centralized 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 centralizing back-office activities to further

15 Source: FCI Statistics (Factors Chain International)/Business Money UK/Deutscher Factoring (2006).

boost efficiency. The 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 cornerstone in delivering Specialized Financial Services for all steps in the financial supply chain of Fortis's clients, together with the other Specialized Financial Services skills.

Corporate & Public Banking

Corporate & Public Banking is responsible for the global relationship management of corporate, and public sector 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 centers and cities in Belgium and The Netherlands.

Insurance

Fortis is a prominent player in Europe's insurance market, and is among the top ten European insurers based on gross earned premiums.[16] 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 are under the leadership of one Chief Executive Officer and an organizational structure is 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 centered 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 rollout of proven products across countries and shared innovation);
- Operational excellence (enhance service levels, lower cost to serve, leverage platforms, optimize local character and lean operation);

16 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.

- International expansion (selectively expands to new product/markets in Europe/Asia, rollout 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, 2007.

	Year Ended December 31, 2007			
	Insurance Belgium	Insurance Netherlands	Insurance International	Total Insurance(1)
	(EUR million)			
Result before taxation	566	1,016	192	1,768
Gross earned life premiums	4,971	3,108	1,610	9,688
Premium inflow deposit accounting	1,181	2,090	2,300	3,481
Gross earned non-life premiums	1,357	2,090	1,938	5,385
Gross earned inflows	7,508	5,198	5,848	18,554
Total assets	53,341	39,040	27,081	119,199

(1) Total Insurance, including consolidation eliminations.

Insurance Belgium

Overview

In July 2006, Fortis AG and FB Insurance, two Fortis insurance entities in Belgium, merged into one single company, resulting in the largest insurance company in Belgium: Fortis Insurance Belgium ("**FIB**").[17] FIB operates through three distribution channels:

- The Bank Channel distributes 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 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 mid-sized and large enterprises both directly and through large and international brokers and consultants.

With the merger of the non-life platform, expected in the second quarter of 2008, all integration projects with regard to the merger of Fortis AG and FB Insurance will have been completed. FIB's commercial strategy will remain channel-specific, but FIB expects to benefit from synergies and cost savings by sharing IT and support functions.

FIB's strategy with the Broker Channel is to strengthen its market position through product innovation, providing optimum support for intermediaries while 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.

17 Source: Expertisenews (http://www.expertisenews.be) based on fair value of 2006.

FIB, through the Bank Channel, offers integrated bancassurance solutions to complete or enhance the product and service range of Fortis Bank, in order to realize 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 products alongside traditional pension products. As a result, inflow of EUR 139.7 million was recorded in 2007.

In the employee benefits market, the Employee Benefits & Health Care (EB/HC) Channel aims to build on its leadership in the field of employee benefits solutions for mid-sized and large companies. It strengthened its position in the market by signing a number of key group healthcare contracts in 2005, 2006 and 2007. In the past three years, it has increased its healthcare portfolio from 508,000 affiliates in 2004 to 803,000 in 2007.

FIB's EB/HC channel is the leading second pillar group life insurance (which includes various company plans, sector-wide plans, early-retirement plans and individual plans), provider in Belgium. It provides pension plans, disability insurance products and health insurance. The solutions offered to clients have the benefit of complete customization 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).[18] Fortis Real Estate continues developing its property activities for the account of third parties.

Strategy

Fortis Insurance Belgium aspires to strengthen its market-leading position in the Belgian insurance market.[19] 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;
- Increase client satisfaction and loyalty.

18 Source: Expertisenews (http://www.expertisenews.be) based on fair value of 2006.

19 Source: Assuralian (http://www.assuralia.be, section: cijfergegevens/chiffres utiles), year 2005.

The following table shows the contribution of insurance in Belgium to Fortis total insurance results for the year ended December 31, 2007.

	Year Ended December 31, 2007		
	Insurance Belgium	Total Insurance	Insurance Belgium as a % of Total Insurance
	(EUR million, except %)		
Result before taxation	566	1,768	32%
Gross earned life premiums	4,970	9,688	51%
Premium inflow deposit accounting	1,181	3,481	34%
Gross earned non-life premiums	1,357	5,385	25%
Gross earned inflows	7,509	18,554	40%
Assets	53,341	119,199	45%

Market position

According to the Belgian Insurance Industry Association, Assuralia, in 2007, the Belgian insurance market had EUR 30,555 billion of total inflow of which EUR 9,597 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 16,826 billion of inflow. Group life, primarily companies' occupational pension schemes, accounted for EUR 4,120 billion.

The Belgian non-life market returned to overall profitability in 2005. A favorable economic environment allowed such profitability to continue during 2006 and 2007. The positive trend reflected a number of factors, including the effect of earlier rate increases and a stable claims frequency, especially in motor insurance, although price pressure remains high. Non-life premium growth in 2007 was 4.3%, which was higher than the 2.7% 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 81% of the market in terms of 2006 total market inflow. Fortis Insurance Belgium has a strong position in this market for all the products and services it provides.

Fortis Insurance Belgium had an overall market share of 24.6% in terms of total gross inflow in 2007. According to the globalized market study published by Assuralia in its Annual Report 2007, Fortis Insurance Belgium has increased its life insurance market share from 27.6% in 2006 to 29.1% in 2007, and its non-life insurance market share from 13.7% in 2006 to 14.2% in 2007. Through its subsidiary Fortis Real Estate, Fortis Insurance Belgium is the largest real estate asset manager in Belgium (including buildings held for own use).[20]

According to the globalized market study published by Assuralia in its 2007 Annual Report, Fortis Insurance Belgium's market share in individual life increased from 27.1% in 2006 to 29.0% in 2007. Fortis Insurance Belgium posted strong growth in individual life in 2007 (growth of 13.3% while the market excluding FIB, grew by only 2.8%). 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 29.5%.[21]

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 that 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

20 Source: Expertisenews (http://www.expertisenews.be) based on fair value of 2006.

21 Source: Assuralia (http://www.assuralia.be, section: cijfergegevens/chiffres utiles), year 2005.

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 December 31, 2007, the Modulis portfolio consisted of 60,300 files (7,900 files were added during 2007), which represents 229,400 policies with an average of 2.3 insurance covers per file. As of December 31, 2007, Fortis Familis' portfolio amounted to 382,900 files (of which 53,200 were added during 2007), representing 883,300 policies.

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 2007, a number of specific packs have been launched both for the retail and SME market (such as Pack Dentist and Pack Backery). At year-end 2007, the number of Packs in portfolio stood at 170,000 (net growth of +80,000 Packs over 2007).

In March 2008, the " Fortis V.I.P." concept was launched. This concept aims at realizing distribution synergies between the Bank and Broker Channel. Rather than being a Fortis Bank or a Fortis Insurance client, this synergy stimulates SMEs 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,		
	2007	**2006**	**2005**
		(EUR million)	
APE[1]	585	511	494
Life			
Individual contracts	850	766	614
Group contracts	970	903	933
Investments contracts with discretionary participation features	3,150	2,684	2,592
Total gross written earned premiums life	4,970	4,353	4,139
Investment contracts without discretionary participation features and unit-linked investments contracts	1,181	1,121	1,141
Gross inflow life	6,151	5,474	5,280
Non-Life			
Property & Casualty	965	886	830
Accident & Health	392	367	329
Total gross written earned premiums non-life	1,357	1,253	1,159
Total gross written earned premiums	6,327	6,727	5,298

(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, customized policies are offered to meet the needs of individual employers. For other groups, standardized 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,		
	2007	2006	2005
		(EUR million)	
Unit-linked contracts			
Single premiums-written	19	16	8
Periodic premiums-written	57	39	32
Group business total	76	55	40
Single premiums-written	1	1	1
Periodic premiums-written	0	0	0
Individual business total	1	1	1
Unit-linked contracts total	76	56	41
Non unit linked contracts			
Single premiums-written	297	256	291
Periodic premiums-written	597	592	602
Group business total	894	848	893
Single premiums-written	522	430	185
Periodic premiums-written	327	335	428
Individual business total	849	765	613
Total non unit linked contracts	1,743	1,613	1,506
Investment contracts with discretionary participation features			
Single premiums-written	0	0	15
Periodic premiums-written	0	0	14
Group business total	0	0	29
Single premiums-written	2,902	2,460	2,071
Periodic premiums-written	249	224	492
Individual business total	3,151	2,684	2,563
Total investment contracts with discretionary participation features	3,151	2,684	2,592
Total gross earned premiums	4,970	4,353	4,139

Non-Life Products

The following table sets forth Fortis Insurance Belgium's gross earned premium income by product for the periods indicated:

	Gross Earned Premiums		
	2007	2006	2005
		(EUR million)	
Property & Casualty	965	886	830
Accident & Health	392	367	329
Total	1,357	1,235	1,159

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 20.3% in 2007.

Motor. The motor policies commercialized 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. FIB is a major player in the Belgian motor market, with a market share of 13.3% (in terms of gross written premiums) at the end of 2007.

At year-end 2007, Fortis Insurance Belgium introduced BA Max, a unique concept in the highly competitive Belgian car insurance market. BA Max offers free extension of basic third-party liability coverage, as all zero-claim drivers are automatically covered for bodily injury.

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 workplace 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. Fortis Insurance Belgium is a leading player in the Accident & Health market with a market share of 15.9% in 2007.

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, that 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 standardized 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. 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. 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 62.4% in 2006.

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 43.0% of the total life inflow in 2006. Fortis Insurance Belgium is the leading distributor of life insurance in Belgium through the bancassurance distribution channel and in 2006 had a market share of 42.6% of the non-unit-linked and 28.5% of the unit-linked bancassurance market. It distributes life and non-life products, primarily to individuals and small enterprises, through 1,064 branches of Fortis Bank (as of December 31, 2007).

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 and four specialist insurers, Fortis ASR offers a complete range of life and non-life insurance, mortgage and savings products to both the private market and small and medium-sized enterprises. 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. With an overall market share of 11.6% based on 2006 gross premiums written, Fortis Insurance Netherlands ("**FIN**") is the third largest insurer in The Netherlands.[22] 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, Fortis bank branches and direct distribution.

22 Source: DNB Verslagstaten based on premium income 2006, excluding medical cost. Life insurance number 4, Non-Life insurance number 3.

In 2007, FIN launched the new direct label Ditzo. Ditzo initially is only offering motor insurance and plans to extend its range to other non-life and life insurance products and mortgages.

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 60% and 40%, respectively, of gross premiums written in 2007 in The Netherlands.

In 2007, Ardanta, one of the four specialist insurers, started distribution of funeral insurances via Fortis Bank in Belgium.

Fortis Insurance Netherlands aims to sustain and further develop its strong market position in The Netherlands in life, disability, and pension insurance products via a well balanced distribution mix.

Strategy

In response to several decisive and rapidly changing market trends, Fortis Insurance Netherlands has defined a new strategy. The key points of this strategy are:

- Focus on profitable growth, in particular in life and disability insurance, pensions, bancassurance;
- 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 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, 2007.

	Year Ended December 31, 2007		
	Insurance Netherlands[(1)]	Total Insurance	Insurance Netherlands as a % of Total Insurance
	(EUR million, except %)		
Result before taxation	1,016	1,768	57%
Gross earned life premiums	3,108	9,688	32%
Premium inflow deposit accounting	—	3,481	—
Gross earned non-life premiums	2,090	5,385	39%
Gross earned inflows	5,198	18,554	28%
Assets	39,040	119,199	33%

(1) Netherlands Insurance includes Fortis ASR and four specialist insurers.

Market Position

In 2006, 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's review of publicly available data and gross premium income in 2006.[23]

As of December 31, 2006, Fortis Insurance Netherlands was the third largest insurer in the Dutch insurance market.[19] The total market share of the top three players increased from 38% in 2002 to 46% in 2006. 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 behavior, 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 (15% in 2007).[24]

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 privatization 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.

23 Source: Assurantie Magazine (Am Jaarboek based on DNB numbers) based on premium income 2005. Life insurance number 4, Non-Life insurance number 3.

24 Source: GFK TOF Tracker 2007

Products

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,		
	2007	**2006**	**2005**
		(EUR million)	
APE[1]	313	275	250
Life Individual contracts	2,354	2,343	2,212
Group contracts	754	1,094	423
Investments contracts with discretionary participation features	—	—	—
Total gross earned premiums life	3,108	3,437	2,635
Investment contracts without discretionary participation features	—	—	—
Gross inflow	3,108	3,437	2,635
Property & Casualty	982	985	986
Accident & Health	1,108	959	1,003
Total gross written earned premiums non-life	2,090	1,944	1,989
Total gross written earned premiums	5,198	5,381	4,624

(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.

	2007	2006	2005
		(EUR million)	
Unit-linked contracts			
Single earned premiums	360	42	43
Periodic earned premiums	141	93	87
Group business total	501	135	130
Single earned premiums	101	139	116
Periodic earned premiums	873	868	867
Individual business total	975	1,007	983
Unit-linked contracts total	1,475	1,142	1,113
Non unit-linked contracts			
Single earned premiums	93	717	145
Periodic earned premiums	160	242	148
Group business total	253	959	293
Single earned premiums	808	767	645
Periodic earned premiums	572	569	584
Individual business total	1,380	1,336	1,229
Total non unit linked contracts	1,633	2,296	1,522
Total gross earned premiums	3,108	3,437	2,635

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, customized policies are offered to meet the needs of individual employers. For other groups, standardized 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 Insurance Netherlands' gross earned premium income by product for the periods indicated.

	Gross Premiums		
	2007	2006	2005
		(EUR million)	
Property & Casualty	982	985	986
Accident & Health	1,108	959	1,003
Total	2,090	1,944	1,989

Property & Casualty

Motor and fire. The motor policies provided by Fortis in the Dutch market provide coverage to individual and commercial (fleet) customers 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 privatization 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's 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) 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. 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 of fee basis and are not employees of the companies they represent.

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.

Direct

Due to changes in customer behavior and a growing number of customers' preference to buy simple risk products through the Internet, Fortis set up its own distribution channel Ditzo in 2007. In addition, Fortis rolled out an Internet-based sales concept, enabling brokers to sell through their own websites.

Bancassurance

The bancassurance distribution channel, which consists primarily of the network of Fortis Bank in The Netherlands (158 branches at the end of 2007), 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 54% of non-life premiums based on 2006 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; 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 Deutschland Lebensversicherung), Turkey (Fortis Emiklilik ve Hayat), Russia (Fortis Life Insurance Russia), Ukraine (Fortis Life Insurance Ukraine) and Hong Kong (FICA), while in Portugal (Millenniumbcp Fortis), China (Taiping Life), Malaysia (Mayban-Fortis) and Thailand (Muang Thai Fortis) and India (IDBI 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. Through the Freedom of Service Act, Fortis Insurance International sells also in Poland (from Germany) and in Italy and Switzerland (from Luxembourg).

Insurance International seeks to leverage Fortis's 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, while in the UK 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 Portugal, India and Malaysia. Fortis sold its interests in its joint venture insurance operations in Spain to its partner "la Caixa" in the second half of 2007. In Thailand, India, Malaysia 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, 2007.

	Year Ended December 31, 2007		
	Insurance International	Total Insurance	Insurance International as a % of Total Insurance
	(EUR million, except %)		
Result before taxation	192	1,768	11%
Gross earned life premiums	1,610	9,688	17%
Premium inflow deposit accounting	2,300	3,481	66%
Gross earned non-life premiums	1,938	5,385	36%
Gross inflows	5,848	18,554	32%
Assets	27,081	119,199	23%

32% of Insurance International total gross earned inflows for 2007 were attributable to Fortis operations in Portugal, 23% to Luxembourg, 19% to the United Kingdom and 9% to France. As Fortis's 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's 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 11% of total gross inflows in 2007.

Gross earned non-life premiums at Insurance International increased by 11% to EUR 1,938 million in 2007.

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, but, in particular for emerging markets, non-life products are also deemed essential. 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's 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 optimize the local character of the acquisitions completed in 2006 and 2007.

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 and 2007.

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 began in the first half of 2007.

Fortis acquired life insurers in Ukraine and in Germany. The companies sold life insurance products under the Fortis brand during 2007. In Germany, the platform began also supported the sale of insurance products through Fortis Credit4Me consumer finance concept.

Fortis continues to grow its affinity marketing sales in the United Kingdom, building on its earlier acquisitions The Outright Company ("**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 Systems 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 2007, Fortis UK was recognized as 'General Insurer of the Year' at the industry's renowned awards and successfully secured a number of new affinity partnerships, including major retailers Marks & Spencer and DSG International, through which Fortis UK delivers personal lines insurance. Fortis UK continues to innovate in its distribution capabilities, predicated on customer requirements. For example, the combination of its new voice-recognition software together with the use of its Text2Insure multi-channel platform, which is being used by key partners in the delivery of straight through processing via SMS and online methods.

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, which commenced operations in March 8, 2008. Fortis owns 26% of the new company and IDBI and Federal Bank 48% and 26% respectively. Fortis has contributed its experience in bancassurance and product know-how, while IDBI and Federal Bank offer their distribution skills. IDBI Fortis has started operations with 600 licensed agents and some 30 specialized branches across India. At launch, IDBI Fortis offers flexible unit linked products, mortgage reducing term insurance and riders like accidental death/disablement benefit, major diseases benefit and hospital cash benefit.

Strong growth is being realized in Asia. In Malaysia, the integration of Malaysian National Insurance Holdings has now been completed. The introduction of the new brand name Etiqa marked the last stage of the integration which created a new multi-channel organization. Mayban Fortis is now a leading player in the Malaysian insurance market, with market leadership positions in life and takaful insurance. Muang Thai Life (Thailand) reported revenue growth of 45% in 2007, outpacing the Thai insurance industry's 16% growth. The company is the number two bancassurance player in Thailand and the fourth largest Life insurer, with an overall market share of 6.8% compared with 5.8% at the end of 2006. In 2007, Muang Thai Life developed new Takaful products with the assistance of Mayban Fortis. It is exploring ways to further penetrate the Thai insurance market and has rapidly increased the number of bank sales agents to over 350, more than doubling the figure at the beginning of 2007. Non-Life gross inflow increased by 24% to EUR 49 million, mainly due to the motor business. This high growth stems from more aggressive marketing of existing agents and motor partners, recruitment of agents from the competition and a contract with a large broker. Muang Thai Insurance Co Ltd is preparing an amalgamation with Phatra Insurance, which is a listed non life insurance company. In the first quarter of 2008 the amalgamation process took another step as the Office of the Insurance Commissioner gave its approval. The amalgamation will create the 7th largest non-life company in the country. Taiping Life (China), too, grew much faster than the overall Chinese market as it increased its year-on-year gross inflow from EUR 1,120 million to EUR 1,548 million. This increase was boosted by the re-introduction of unit-linked products as booming financial markets increased the market's appetite for investment products. TPL's growth rate of 38% is the second fastest among the major six life insurers in China. The company is expanding faster than the market, and its market share grew from 2.7% to 3.2% at the end of last year. Since the end of 2006 the tied agency sales force has grown from 26,400 to more than 40,000. There are now well over 400 offices, which basically cover most of the developed and semi-developed areas of China.

In Hong Kong the integration of the newly acquired company Fortis Insurance Company Asia ("**FICA**") in May 2007, formerly known as PCI, is now nearly completed. In November 2007 the new management team was installed and a comprehensive strategic plan was finalized. Initiatives to improve overall performance and to enhance customer service are now under way. These include diversification of the distribution base and optimization of the product range and internal processes. On August 8, 2007, FICA was re-branded to Fortis which marked Fortis Insurance's official entry into the Hong Kong market and is an integral part of its growth strategy in Asia. FICA's staff, agents and customers have since expressed their overwhelming support for the new name. FICA aims to create a world-class agency sales force and position itself as an important hub to Fortis Insurance in Asia.

Business Environment

The non-life environment in Europe has been favorable 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.

Banks, brokers and agents remain the dominant channels in some countries. However, in others, particularly the UK, new distribution channels are being utilized, 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 harmonization (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,		
	2007	2006	2005
		(EUR million)	
APE	478[(1)]	387[(1)]	535
Life Individual contracts	779	523	481
Group contracts	131	121	115
Investments contracts with discretionary participation features	700	713	886
Total gross written premiums life	1,610	1,357	1,482

(1) CaiFor has been reclassified in discontinued operations; figures for 2006 and 2007 periods are reported excluding CaiFor.

	Year Ended December 31,		
	2007	2006	2005
		(EUR million)	
Single premiums	5	3	2
Periodic premiums	126	118	114
Group business total	131	121	116
Single premiums	344	247	216
Periodic premiums	435	276	264
Individual business total	779	523	480
Total investment contracts with DPF	700	713	886
Total gross written premiums	1,610	1,357	1,482

The following table sets forth Fortis Insurance International's gross life premiums by type of policy for the periods indicated.

	Year Ended December 31,		
	2007	2006	2005
		(EUR million)	
Unit-linked contracts			
Single premiums	1	1	0
Periodic premiums	48	43	37
Group business total	49	44	37
Single premiums	173	128	87
Periodic premiums	56	45	39
Individual business total	229	173	126
Unit-linked contracts total	278	217	163
Non unit-linked contracts			
Single premiums	4	2	2
Periodic premiums written	78	75	77
Group business total	82	77	79
Single premiums	171	118	130
Periodic premiums	378	232	225
Individual business total	549	350	355
Total non unit linked contracts	631	427	434
Investment contracts with discretionary participation features			
Single premiums	5	3	2
Periodic premiums	126	118	114
Group business total	131	121	116
Single premiums	344	247	216
Periodic premiums	435	276	264
Individual business total	779	523	480
Total investment contracts with discretionary participation features	700	713	886
Total gross earned premiums	1,610	1,357	1,482

The following table sets forth Fortis Insurance International's gross non-life premiums by type of policy for the periods indicated.

	Gross Earned Premiums		
	2007	2006	2005
		(EUR million)	
Accident & Health	203	204	177
Property & Casualty	1,735	1,535	1,463
Total	1,938	1,739	1,640

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 and Datamonitor 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 2007 Fortis UK insured approximately 1.6 million vehicles and ranked fifth in 2007 in motor ranked eleventh overall, based upon gross written premiums. During 2007 Fortis UK insured 6.7 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, providing innovative distribution solutions via SMS and online, and InsureTech Systems, providing online white labeled insurance aggregator propositions. The strategic alliance with the Age Concern (an affinity group targeting over the age of 50) was successfully implemented, resulting in the transfer of Age Concern's portfolio to Fortis, which caused a 66% increase in household customers (to over one million). In 2005, Fortis UK acquired the personal lines insurance solutions provider OutRight, now serving in excess of 210,000 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 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, Antwerp and Paris. Fortis Corporate Insurance is rated A+ (strong) by Fitch Ratings 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. In 2007 more than 85% 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 2007, total insurance liabilities grew to EUR 6,332 billion, an increase of 22% compared to 2006.

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. 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) realized total gross inflow of EUR 1,916 million in 2007. Non-life premiums grew by 3% to EUR 176 million in 2007 and Life inflow amounted to EUR 1,740 million in 2007. During 2006 a product innovation program was launched and new products were developed. The effect of these new products were 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 22% in March 2007, ranking second in the market.[25] The Pension Fund business continued to perform well in 2007, with funds under management of EUR 7.4 billion, an increase of 9% compared to 2006.

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 2007 gross inflow increased by 38% compared to 2006 to EUR 1.5 billion. The company has close to 450 branches and sub-branches or distribution offices, with approximately 5,700 employees and approximately 44,000 brokers and sales agents as of December 31, 2007. As of December 31, 2007, Taiping Life's market share had increased to 3.2% (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 30,95% equity interest in Mayban Life Assurance Berhad and Mayban General Assurance Berhad. In 2007 gross inflow was EUR 800 million. The company had approximately 2,000 employees and 20,000 sales agents as of December 31, 2007. 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 2007, Muang Thai Fortis (Life & General) saw its gross inflow rise to EUR 360 million from EUR 250 million in 2006. Muang Thai Life achieved the highest new business premium growth rate (a 68% increase) among the top five players in the market (on a year-on-year basis) in 2007. The bank doubled its banc insurance sales specialists to more than 350 in 2007. 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 1,500 employees and approximately 17,000 sales agents.

25 29 Source: Associaçã Portuguesa de Seguradores(APS) based on premium income (http://www.apseguradores.pt).

India

In India, IDBI Fortis, the Life insurance joint venture with Industrial and Development Bank of India (IDBI) and Federal Bank commenced operations on March 8, 2008. Fortis owns 26% of the new company and IDBI and Federal Bank own 48% and 26% respectively.

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 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 the number six life 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**" or "**CBFA**" 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.
- "**AFM**" means the "*Autoriteit Financiële Markten*", the Dutch supervisory authority for the conduct of business supervision of financial enterprises (including banks and insurance companies).
- "**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.

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 requiring 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 of December 15, 1989 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 measures 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 transposed 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 competencies 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, the BFIC is the single supervisory authority for the Belgian financial sector.

Chapter IV 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 management committees of the BFIC and the NBB under the chairmanship of the Governor of the NBB and with the Chairman or Vice-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, as a practical matter, lies within the competence of the management committee, and the supervision of this management and the definition of the credit institution's general policy and strategy, which must be entrusted to the board of directors.

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 impose additional requirements in respect of solvency, liquidity, concentration of risks and other limitations, to suspend or dispose of all or part of its activities, to impose the appointment of provisional directors or managers in lieu of the current directors or managers, 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 a credit institution 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 includes:

- Paid-up share capital;
- Reserves, excluding revaluation reserves (unrealized gains and losses);
- Balance of interim results (less expected dividends);
- Third-party interests;

- Tier 1 loans up to 15% of total Tier 1; and
- 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 includes:

- Debt instruments with an indefinite term and other financial instruments that meet certain specified criteria; and
- Cumulative preference shares with an indefinite term.

Lower Tier 2 capital includes:

- (Cumulative) preference shares with a fixed term; and
- Long-term subordinated liabilities that meet certain specified criteria.

Tier 3 capital includes:

- 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 2006/49/EC. The new solvency reporting requirements are further explained in the BFIC Circular of February 22, 2007 and are 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 DNB, the AFM and the Minister of Finance of The Netherlands.

The banking regulatory system in The Netherlands is a comprehensive system based on the Financial Supervision Act (*Wet op het financieel toezicht*). 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, the DNB is charged, among other things, with the prudential supervision of banks in The Netherlands and the AFM is charged, among other things, with the conduct of business supervision of banks in The Netherlands. No enterprise or institution can carry on the business of a bank in The Netherlands unless it has obtained a license from the DNB. In general, the license requirements relate to, among other things, (i) expertise and trustworthiness, (ii) financial safeguards, (iii) conduct of business, (iv) provision of information and (v) safeguards for the adequate supervision of compliance.

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 the DNB, a credit institution fails to comply with the Financial Supervision Act and regulations thereunder, the DNB will notify the bank and it may instruct the bank to behave in a certain manner. Additional supervisory measures are available to the DNB including special measures allowing the DNB to appoint a person (may be 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 the 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 their 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% of Fortis's risk-weighted assets. This ratio is referred to as the total capital ratio in Fortis reports. See "— Regulation of Fortis's Banking Activities in Belgium — Solvency Supervision" and "Operating and Financial Review and Prospects — Liquidity and Capital Resources — Bank Cash Flows

— Capital Adequacy" for a discussion of, amongst other things, capital adequacy, risk-weighting and Fortis's (proposed) application of Basel II rules.

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 the decrees and regulations promulgated 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 the decrees and regulations promulgated 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, directly or indirectly, 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.

A declaration of no-objection must also be obtained by each person holding or increasing a qualified holding in a bank. For these purposes, a qualified holding is defined as the direct or indirect ownership of 10% or more of the issued share capital, the ability to exercise, directly or indirectly, more than 10% of the voting rights, or the ability to exercise a comparable degree of control.

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 Markets in Financial Instruments Directive (2004/39/EC) ("**MiFID**") 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, the prevention and disclosure of conflicts of interest, Chinese walls, know-your-customer standards, cost transparency, the form and content of client agreements and integrity.

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 the 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 the DNB in accordance with the provisions of the Act on the Supervision of Trust Offices (*Wet toezicht trustkantoren*).

Regulation of Fortis' Banking and Related Activities in the United States

Fortis Investment Management USA Inc. is registered as an investment adviser 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 2003, and the narrowed "broker" definition took effect in 2007, but with a transition period allowing additional time to comply with the new "broker" 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.

Fortis Insurance subsidiaries are required to maintain a minimum level of qualifying capital relative to the premiums received for Non-life insurance and investment contracts. 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 108 million at December 31, 2007 and are largely covered by the available qualifying capital.

Regulation of Fortis's Insurance Activities in The Netherlands

Insurance companies (both life insurers and non-life insurers established in The Netherlands or, if established outside The Netherlands, insofar as their business in The Netherlands (either through a branch or on a cross-border basis) is concerned) are also subject to the Financial Supervision Act. A (legal) person that carries out a direct insurance business in The Netherlands requires prior authorization from the DNB. Each authorization is granted for a specific type of insurance business.

The Financial Supervision Act implements a large number of European directives relevant to the insurance industry, including Directive 98/78/EC of October 27, 1998 on the supplementary supervision of insurance undertakings in an insurance group. 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; and
- 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.

The Financial Supervision Act and the regulations promulgated thereunder and the DNB's solvency regulations provide for rules on the amount of equity an insurance company must maintain and provide for a number of other ongoing requirements for insurance companies. The solvency rules applicable to insurance companies are similar to those for banks.

Regulation of Fortis's Insurance Operations in Belgium

Insurance activities are regulated in Belgium by the "Supervision Law" of July 9, 1975 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 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 Board members holding an executive position;
- one Chief Executive Officer;
- one Group Executive Committee, 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
- one Business Executive Committee;

composed of representatives of businesses and support functions assisting the Group Executive Committee in the execution of the strategy and policy as defined by the Group Executive Committee and adopted by the Fortis Board.

The diagram below outlines Fortis's management structure as of the date of this Prospectus.

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. It has a majority of non-executive board members, and at least two executive board members, being the CEO and the Deputy CEO.

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 executive board members 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's 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 fulfill 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	2012	Director of Groupe Bruxelles Lambert, Director of Belgacom, Chairman of Compagnie Het Zoute, Director of Iscal Sugar, Director of Finasucre, Director of Groupe Sucrier, Member of the Trilateral Commission, Member of Insead Belgium Council, Chairman of Guberna, Chairman of Corporate Governance Committee (Belgium)
Jean-Paul Votron (1950)	Director Fortis Chief Executive Officer	2004	2011	Member of the Supervisory Board of ABN AMRO, Member of the Board of Directors of RFS Holding B.V., Member of the Management Committee of the Federation of Enterprises in Belgium, Board Member of ICHEC (Institut Catholique des Hautes Études Commerciales)
Klaas Westdijk (1941)	Director Fortis Independent	1996	2009	Vice-Chairman of the Supervisory Board of VastNed Retail N.V., Chairman of the Supervisory Board of ENECO Energie N.V., Chairman of the Supervisory Board of Connexxion Holding N.V., Member of the Supervisory Board of FD Media Groep B.V.
Jan-Michiel Hessels (1942)	Vice-Chairman Director Fortis	2001	2010	Chairman of the Board of Directors of NYSE Euronext, Chairman of the Supervisory Board of Royal Philips Electronics N.V., Member of the Supervisory Board of Heineken N.V., Member of the International Advisory Board of the Blackstone Group, Chairman of the Supervisory Board of SC Johnson Europlant N.V., Chairman Dutch Central Planning Committee, Director of Stichting Continuïteit Fortis
Baron Philippe Bodson (1944)	Director Fortis Independent	2004	2010	Chairman of the Board of Directors of Exmar, Chairman of the Board of Directors of Floridienne, Member of the Credit Suisse Advisory Board Europe, Director of Ashmore Energy (USA), Director of Hermes Asset Manage¬ment Europe Ltd., Director of Cobepa/Cobehold

Name	Position	Director Since	Term Expires	Principal Activities Performed outside Fortis
Richard Delbridge (1942)	Director Fortis Independent	2004	2009	Non-executive Director of Tate & Lyle PLC, Non-executive Director of JP Morgan Cazenove Holdings, Council Member and Treasurer of The Open University
Jacques Manardo (1946)	Director Fortis Independent	2004	2011	Director of Management Consulting Group PLC, Director of BLB, Director of French Institute Alliance Française – New York (Member of Finance Committee), Member of Le Siècle (Paris)
Ronald Sandler (1952)	Director Fortis Independent	2004	2010	Executive Chairman of Northern Rock, Chairman of the Personal Finance Education Group, Member of the FSA's Financial Capability Steering Group, Advisor Palamon Capital Partners, Chairman of Paternoster Ltd., Chairman of Ironshore Inc.
Rana Talwar (1948)	Director Fortis Independent	2004	2011	Non-executive Director of Schlumberger Ltd., Non-executive Director of Delhi Land and Finance Ltd., Chairman of Sabre Capital Worldwide, Chairman of Centurion Bank Ltd., Director of the Indian School of Business
Clara Furse (1957)	Director Fortis Independent	2006	2009	Chief Executive and Director of the London Stock Exchange PLC, Director of Euro¬clear PLC, Director of LCH Clearnet Group Ltd., Member of the Advisory Council of the Prince's Trust, Member of the President's Committee of the Confederation of British Industry
Reinier Hagemann (1947)	Director Fortis Independent	2006	2009	Member of the Supervisory Board of Bayer Schering Pharmaceutical AG, Member of the Supervisory Board of Wüstenrot & Württembergische AG, Member of the Supervisory Board of E.ON Energie AG, Member of the Supervisory Board of Hochtief Facility Management GmbH, Chairman of the Advisory Board of Cerberus Germany, Member of the Advisory Board of AON Jauch & Hübener, Member of the Advisory Board of Steag GmbH, Co-Chairman of the Supervisory Board of VHV Allgemeine Insurance
Aloïs Michielsen (1942)	Director Fortis Independent	2006	2009	Chairman of the Board of Directors of Solvay SA, Member of the Board of Directors of Miko N.V.
Herman Verwilst (1947)	Director Fortis	2007	2010	Professor Extraordinary at the University of Ghent, Director Flemish Economic Association, Member of the Executive Committee and Board of Directors of the King Baudouin Foundation, Member of Instituto de Empresa International Advisory Board (Madrid)
Louis Cheung (1963)	Director Fortis	2008	2011	Executive Director, Group President and Chief Financial Officer Ping An

On April 29, 2008, the General Shareholders Meetings re-elected Jean-Paul Votron as executive director for a three-year term. The General Shareholders Meetings re-elected Jacques Manardo and Rana Talwar as non-executive directors for a three-year term. The General Shareholders Meetings re-elected Count Maurice Lippens as non-executive director for a four-year term. Louis Cheung was elected as non-executive Board member for a three –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 offenses 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 Group Executive Committee.

The Group Executive Committee is assisted by the Business Executive Committee, composed of representatives of businesses and support functions assisting the Group Executive Committee in the execution of the strategy and policy as defined by the Group Executive Committee and adopted by the Fortis Board.

The Fortis Group Executive Committee 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. The Fortis Group 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.

The Group Executive Committee currently consists 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. Internal Audit reports directly to the CEO.	Member of the Supervisory Board of ABN AMRO, Member of the Board of Directors of RFS Holdings B.V., Member of the Management Committee of the Federation of Enterprises in Belgium, Board Member of ICHEC (Institut Catholique des Hautes Études Commerciales)
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, Director Flemish Economic Association, Member of the Executive Committee and Board of Directors of the King Baudouin Foundation, Member of Instituto de Empresa International Advisory Board (Madrid)
Gilbert Mittler	Responsible for Finance, Risk and General Counsel.	None
Filip Dierckx	Responsible for Merchant Banking	Board Member of various companies of the Group SD Worx, Board Member of the Flemish Economic Association (Voka)
Lex Kloosterman	Responsible for Private Banking, Asset Management, Investor Relations and Corporate Social Responsibility.	Treasurer Foundation Zorg & Bijstand, Board Member Foundation The Netherlands - Sultanate of Oman, Board Member Stichting Het Concertgebouw Fonds, Board Member Duisenberg School of Finance
Camille Fohl	Responsible for Retail Banking and Global Branding and Communications	Member of the Banking Group of the Chamber of Commerce of Luxembourg
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

The business address of the members of the Group Executive Committee is Rue Royale 20/Koningsstraat 20, 1000 Brussels.

In relation to each of the members of the Group Executive Committee, the Issuer is not aware of (i) any convictions in relation to fraudulent offenses 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.

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's 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's 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's directors and Group Executive Committee members and their private interests and/or other duties.

Remuneration of Fortis Board members and Executive Managers

The Board and the Nomination and Remuneration Committee comply with the Fortis Remuneration Policy as set forth in the Fortis Governance Statement, when making all proposals, recommendations and decisions relating to the remuneration of Board Members and the Executive Managers. The Remuneration Policy, as applied in 2007 is described below, together with the remuneration information over 2007.

Definitions are as follows:

- Board members: non executive and executive members of the Board of Directors. The CEO and the Deputy CEO are the only executive members.
- Executive Managers: the CEO, the Deputy CEO and other members of the Executive Committee.

Remuneration of Fortis Board members

Remuneration policy

The remuneration of the Fortis Board members is determined by the Board of Directors in compliance with the prerogatives of the General Meetings of Shareholders.

Detailed proposals for remuneration of non-executive Board members are formulated by the Nomination & Remuneration Committee, based upon advice from outside experts.

For the non-executive Board members, the levels and structure of remuneration are determined in view of their general and specific responsibilities and general international market practice. The remuneration of non-executive Board members includes both regular basic remuneration for Board membership and Board committee meeting attendance fees. The non-executive board members do not receive annual incentive awards or stock options and are not entitled to pension rights. Non-executive Board members are not entitled to any termination indemnity.

The remuneration of the Executive Board members, the CEO and the Deputy CEO, are related exclusively to their positions as CEO and Deputy CEO and are therefore determined in line with the Remuneration Policy for Executive Managers.

Remuneration data 2007

Total remuneration of non executive Board members amounted to EUR 2.0 million in the 2007 financial year (2006: EUR 1.8 million; 2005: EUR 1.7 million). This includes both basic remuneration for Board membership and attendance fees for Board committee meetings. The remuneration of the CEO and the Deputy CEO, who are also Board members, is explained below.

Remuneration of the Fortis Executive Managers

Remuneration policy

The remuneration of the Executive Managers is determined by the Board of Directors, upon proposals by the Nomination & 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 analyzed on an annual basis. At the initiative of the Nomination & Remuneration Committee, Fortis's 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 organisation'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,
- 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 2007, the primary reference market was composed of financial services organizations spread over seven European countries. The variable, performance related payment 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.

The above reward package is part of a contract providing the main characteristics of the status: the description of the components of the package, the expiration date (between 60 and 65 years), the termination clauses and various other clauses such as confidentiality and exclusivity. As of January 1, 2005, the contract provides for a termination indemnity, in case of termination without cause by Fortis, which equals twice the amount of the base salary, but also respecting commitments made by Fortis before the date of January 1, 2005. The indemnity specifically applicable to the CEO and Deputy CEO is described under "— compensation data for 2007 of the CEO, Deputy CEO and Executive Committee".

Base salary

Base salary levels are intended to compensate the Executive Managers for their position responsibilities and their particular set of competencies. These levels are set in line with general prevailing market rates for equivalent type positions and are subject to regular annual reviews. There is, however, no mechanism for automatic adjustment.

Annual incentive

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 variable compensation is calculated according to the following criteria that carry an equal weight:

- a criterion specific to the Executive Committee as a team, based on the achievement of joint objectives, such as the completion of the budget, key projects, levels of indicators of performance achieved, strategy implemented, and priorities for 2007-2008.
- a criterion based on the achievement of personal objectives specific to each Executive Manager and linked to his general responsibilities.

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.

Long term incentive

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
- 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
- enable the organization to outperform a group of Fortis's peers in the international market, and also 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 & 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 & Remuneration Committee on the basis of Fortis's actual share performance relative to a peer group of Europe's top 30 financial institutions (as determined by market capitalization).[30] 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 & 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 will remain unsalable until six months after termination of the professional relationship between Fortis and the Executive Manager, which emphasizes the Executive Manager's long-term commitment.

Other remuneration components

The Executive Managers participate in Fortis's pension schemes in either Belgium or The Netherlands. These schemes are in line with predominant market practices in the respective geographic environments. For the CEO 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 pension, 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.

Approval of Remuneration Policy

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 executive members of the Board of Directors under the long-term incentive scheme. Any

30 For 2007, the peer group comprised the following financial institutions: ABN AMRO Holding NV, Aegon NV, Allianz AG, Assicurazioni Generali SpA, Aviva Plc, AXA SA, Banca Intesa SpA, Banco Bilbao Vizcaya Argentaria SA, Banco Santander Central Hispano SA, Barclays PLC, BNP Paribas, Crédit Agricole SA, Crédit Suisse Group, Deutsche Bank AG, Dexia, HBOS PLC, HSBC Holdings PLC, ING Groep NV, KBC Groep NV, Lloyds TSB Group Plc, Münchener Rückversicherungs AG, Natixis, Nordea Bank AB, Prudential PLC, Royal Bank of Scotland Group Plc, Société Générale, Standard Chartered Plc, UBS AG, UniCredito Italiano SpA and Zurich Financial Services AG.

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 & 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.

CEO and Deputy CEO Compensation Data 2007

CEO and Deputy CEO

Compensation of the CEO and Deputy CEO, who are also Board Members, relates solely to their positions as CEO and Deputy CEO. Their remuneration has been set in accordance with the remuneration policy approved on October 11, 2004 by the shareholders meeting of Fortis N.V. The 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. Recognizing his leadership over the past year, the Board has set Mr Votron's annual incentive for 2007 at EUR 2.5 million.

For 2007, Mr Votron's remuneration consisted of a base salary of EUR 750,000, an annual incentive of EUR 2.5 million, the grant of 49,655 options, the commitment to grant 41,775 Fortis shares and an amount of EUR 660,800 representing the value of the other remuneration components (pension costs, long-term incentive paid in cash and other expenses). The exercise of Stock Appreciation Rights at the end of Mr Votron's initial contract entitles him to an amount between the minimum amount of EUR 1.0 million and EUR 2.75 million depending on the performance of Fortis shares during the term of his initial contract. Based on the period considered, it is anticipated that Mr Votron will receive no more than the minimum amount (i.e EUR 1.0 million).

The proposal to the General Meetings of Shareholders on April 29, 2008 to re-appoint Mr Votron as executive member of the Board for a period of three years expiring after the 2011 shareholders meetings has no material effect on the terms and conditions agreed with him in 2004 (including the variable remuneration components, i.e. the Annual Incentive and the Long-term incentive) except for the following amendments thereto:

- Mr Votron annual base salary will amount to EUR 1,300,000 (gross) for 2008 to ensure alignment with the significantly higher amounts of base salary paid by Fortis's peers to their CEOs,
- If Fortis terminates the contract, Mr Votron will be paid gross compensation amounting to a maximum of one year base salary instead of two years previously,
- The pension contribution by Fortis will amount to EUR 500,000 plus 25% of the difference between the new base salary and the previous one (pension contribution previous contract: EUR 500,000), and
- Mr Votron will not receive new Stock Appreciation Rights.

Mr Verwilst's remuneration in 2007 consisted of a base salary of EUR 695,000, an annual incentive of EUR 1.0 million, a grant of 36,560 options, a commitment to grant 27,970 Fortis shares and an amount of EUR 403,370 representing the value of the other remuneration components (pension cost, long-term incentive paid in cash and other expenses). Should Fortis terminate the contract prematurely, Mr Verwilst will receive a gross sum equal to a maximum of three years cash compensation (base salary and target annual incentive). Mr Verwilst will not receive any payment if the contract is terminated prematurely due to gross negligence or wilful misconduct.

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 apply to Fortis customers.

For more details on the remuneration of Fortis Board members and Executive Managers, see Note 11 to the 2007 Consolidated Financial Statements incorporated by reference herein.

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 and Aloïs Michielsen. 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), Jan-Michiel Hessels, 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

Fortis's 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. Those aspects of corporate governance at Fortis that require additional explanation in the light of the Belgian (Lippens) or Dutch (Tabaksblat) Codes can be found below.

Fortis 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 report. Fortis stated in the Fortis Annual Reviews of previous years, that it applies all the Code's main principles. Three 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, as defined in our Governance Statement. These match those of the Lippens Code, with the exception that Fortis considers it necessary to limit to listed companies the restrictions on cross-directorships.

- According to principle 7.18, the annual report should disclose the main contractual terms of employment and termination arrangements with executive managers. The remuneration policy for Fortis directors and Executive Committee members – described in detail in note 11 of our Financial Statements – sets out the main terms of our contracts with executive managers. As from January 1, 2005, the contracts provide for a termination indemnity, in the case of termination without cause at the initiative of Fortis. The indemnity equals twice the amount of the base salary, without prejudice to commitments taken by Fortis before January 1, 2005.

- The Annual General Meetings of Shareholders in May 2007 endorsed the view that the re-appointment of Baron Piet Van Waeyenberge as non-executive Board Member for a period of one year would be in Fortis's interest and that this re-appointment, leading to a total term of directorship of more than the twelve years stipulated by the Fortis Governance Statement, would not affect Baron Van Waeyenberge's independence.

Fortis and the Tabaksblat Code

Since 2004, listed companies incorporated under Dutch law have been legally required to declare in their annual reports that they have adhered to the Tabaksblat Code, or to explain any instances in which they have deviated from it. Accordingly, Fortis stated in its Annual Reports for 2004, 2005 and 2006 that the principles and best practice provisions of the Tabaksblat Code had been met in those financial years, with certain substantiated exceptions. Fortis's respective statements were discussed at the Annual General Meetings of Shareholders in May 2005, May 2006 and May 2007.

By re-electing Baron Piet Van Waeyenberge non-executive Board Member for a period of one year (i.e. until the close of the Annual General Meetings of Shareholders in 2008), the Annual General Meetings of Shareholders of May 2007 endorsed the view of the Board of Directors that the re-election of Piet Van Waeyenberge was in Fortis's interest. The Annual General Meetings of Shareholders thus resolved not to abide by the maximum term of directorship (twelve years) generally recommended by the Tabaksblat Code (Best Practice provision III.3.5). The Annual General Meetings of Shareholders in May 2006 had taken a similar position with regard to the re-election of Klaas Westdijk as non-executive Board Member for a period of three years (i.e. until the close of the Annual General Meetings of Shareholders in 2009).

By electing Herman Verwilst executive Board Member as proposed by the Board of Directors, the Annual General Meetings of Shareholders of May 2007 acknowledged the position taken by the Board that this election would have no effect on the contract concluded (in Belgium) in 1999 between Fortis and Herman Verwilst in his capacity as Executive Manager. This includes the contractual termination indemnity equal to a maximum of three years' cash compensation (base salary and target annual incentive) in the absence of gross negligence or wilful misconduct, as specified in the proposal to the Annual General Meetings of Shareholders. This termination indemnity exceeds the maximum set by Best Practice provision II.2.7 of the Tabaksblat Code, which is set at one year cash compensation or two years cash compensation if such is deemed reasonable for Board members during their first term of appointment.

Bearing in mind the points expressed above, we hereby declare that Fortis complied with the principles and best practice provisions of the Tabaksblat Code in 2007, which is subject to the following qualifications and exceptions which have remained unchanged since the financial year 2006.

Qualifications

Our aim at Fortis is to comply with the Tabaksblat Code to the maximum possible extent. We cannot, however, meet all of the Code's provisions. Some of them conflict with the internal coherence of our governance structure, which has been carefully developed over the years to meet the challenges facing a bi-national group. Furthermore, our single-tier board structure creates a specific framework that is not customary in The Netherlands and which did not act as the primary frame of reference when the Tabaksblat Code was drafted.

When applying the Code, therefore, we have been obliged to translate the various provisions to fit our single-tier structure. Provisions aimed at the Supervisory Board or the Management Board have thus been applied to Fortis's Board of Directors, while provisions for individual members of the Supervisory Board have been applied to our non-executive directors and provisions for individual members of the Management Board to Fortis's CEO and Deputy CEO.

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' (respectively III.6.6 and III.6.7 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 should 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'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. By re-electing Maurice Lippens, the Annual General Meetings of Shareholders in May 2005 endorsed the view of the Board of Directors that the re-election of Fortis Chairman Maurice Lippens for a period of three years (i.e. until the close of the 2008 Annual General Meetings of Shareholders) would be in Fortis's interest, notwithstanding the maximum term of appointment (twelve 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. This is the case with the following sections: II.2.1 (share options as a conditional remuneration component for management board members – Fortis does not offer such options), III.2.1 (all supervisory board members, with the exception of one person only, must be independent – III.8.4 sets out the rule as it applies to Fortis), IV.1.2 (voting right on financing preference shares – Fortis does not have this type of preference share) and IV.2–IV.2.8 (depositary receipts for shares – Fortis 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's rule that nobody may serve as a director for more than twelve 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.

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 jeopardizing their legal position. Alleged irregularities concerning the functioning of management board members shall be reported to the chairman of the supervisory board.*

- Fortis 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 disclosure 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 executive Board members. They 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 termination of their relationship with Fortis.

BP II.2.6: *The Supervisory Board will draw up regulations concerning ownership of and transactions in securities by management board members, other than securities issued by their own company. The regulations are published on the website. The* Compliance *Officer is notified at least quarterly of private investments in securities of Dutch listed companies.*

- As explained to the Annual General Meetings of Shareholders in May 2006, Fortis has drawn up and issued the required regulations on insider trading but contrary to Best Practice II.2.6 these regulations are not published on the Fortis website, since 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 summarizing 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.

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's 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 and for initiating all processes relating to this. These include ensuring a Board membership that is geared to the needs of the organisation and therefore also entail 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 geographic location (at December 31)

	2007	2006
Benelux	40,351	38,169
Other European countries	18,614	16,481
North America	1,078	1,016
Asia	1,643	1,177
Other countries	323	43
Total	**62,009**	**56,886**

Breakdown of full-time equivalents ("FTEs") by category of activity (at December 31)

	2007	2006
Retail Banking Network	18,254	16,230
Asset management	985	799
Merchant & Private Banking	16,307	14,330
Other Banking	11,315	12,216
Insurance Belgium	5,298	5,182
Insurance Netherlands	4,626	4,210
Insurance International	5,043	3,714
Other Insurance	—	1
General	181	204
Total	**62,009**	**56,886**

EMPLOYEE STOCK AND OPTION PLANS

Fortis uses share related instruments as part of the remuneration package for its employees and members of Executive Committee. 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.

The following option plans, including options granted to members of the Executive Committee, were outstanding as at December 31, 2007.

	December 31, 2007			
Lapsing Year	**Outstanding Options**	**Weighted Average Exercise Price**	**Highest Exercise Price**	**Lowest Exercise Price**
	(in 000s)	**(in EUR)**	**(in EUR)**	**(in EUR)**
2008	1,549	27.27	29.05	21.08
2009	11,441	24.28	26.98	12.44
2010	6,182	28.32	29.05	15.31
2011	798	19.08	21.08	18.65
2012	1,125	22.17	26.58	21.08
2013	3,692	14.30	28.62	12.17
2014	3,295	15.09	15.31	14.78
2015	3,351	18.55	18.65	18.41
2016	4,403	24.60	24.68	24.49
2017	4,983	28.03	28.62	27.23
Total	40,819	23.22	—	—

	December 31, 2007			
Lapsing Year	**Outstanding Options**	**Weighted Average Exercise Price**	**Highest Exercise Price**	**Lowest Exercise Price**
	(in 000s)	**(in EUR)**	**(in EUR)**	**(in EUR)**
2007	2,369	28.45	31.45	15.57
2008	1,635	27.28	29.05	21.08
2009	13,455	24.38	32.15	12.44
2010	5,920	28.62	29.05	15.31
2011	813	19.12	21.08	18.65
2012	1,712	22.74	26.58	21.08
2013	3,320	12.33	12.17	12.44
2014	3,336	15.09	15.31	14.78
2015	3,369	18.55	18.65	18.41
2016	4,404	24.60	24.68	24.49
Total	40,333	22.97	—	—

The changes in outstanding options were as follows:

	2007		2006		2005	
	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	40,333	22.97	38,729	27.34	38,247	23.98
Options granted to Executive Committee Members	311	28.62	280	24.68	325	18.65
Options granted to other employees	4,983	28.62	4,575	24.60	3,699	18.55
Exercised options	(2,507)	—	(2,656)	—	(43)	—
Lapsed	(2,301)	—	(595)	—	(3,499)	—
Balance at December 31	40,819	23.22	40,333	22.97	38,729	22.89
On existing Fortis shares	3,309	—	3,303	—	2,966	—
On new Fortis shares	37,510	—	37,030	—	35,763	—
Of which are conditional	13,918	—	13,354	—	5,857	—
Of which are unconditional	26,901	—	26,979	—	32,872	—
Exercisable in the money	309	12.44	15,155	24.36	346	14.79
Exercisable out of the money	19,497	25.91	8,868	29.21	23,267	26.70

In 2007 Fortis recorded EUR 19 million as staff expenses with respect to the option plans (2006: EUR 16 million; 2005: EUR 7 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 ten-year American at-the-money call options with a five-year vesting period, the value is based on the Simple Cox model.

The parameters below were used to calculate the fair value of the options granted.

	2007	2006	2005
Date of grant of options	March 31, 2007	March 31, 2006	April 11, 2005
First exercise date	April 2, 2012	April 3, 2011	April 11, 2010
Final maturity	April 2, 2017	April 3, 2016	April 10, 2015
Dividend yield	5.82%	5.13%	5.00%
10-year interest rate	4.08%	3.74%	3.80%
Share price on date of grant (in EUR)	32.53	29.48	21.84
Volatility	26.04%	24.80%	23.27%
Fair value of options as % of exercise price	15.31%	16.01%	15.36%

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 952,788 shares in portfolio for this purpose at year end 2007 (December 31, 2006: 952,788 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, 2006 and 2007.

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	15.64	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 2007, 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 of the commitments to grand and sell these restricted shares are described in Note 11 in the 2007 Consolidated Financial Statements.

At December 31, 2007, the following commitments for the grant of restricted shares were taken:

	Total	2007	2006	2005
		(number of shares in 000s)		
Number of commitments to grant restricted shares	1,160	373	302	485[1]
End of holding period		April 2, 2010	April 2, 2009	April 11, 2008

(1) Total includes restricted shares granted before 2004.

The total value of commitments for restricted Fortis Shares granted during 2007 is EUR 8 million; such amount is included in staff expenses (2006: EUR 7 million; 2005: EUR 4 million).

The table below shows the changes in commitments for restricted shares during 2007 and 2006.

	2007	2006
	(number of shares in 000s)	
Number of restricted Fortis Shares committed to grant at January 1	815	898
Restricted shares committed to grant	373	302
Restricted shares sold	(3)	(79)
Commitments to restricted Fortis Shares lapsed	(85)	(306)
Number of restricted Fortis Shares committed to grant at December 31	1,100	815

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 in the 2007 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 Group 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.

Credits, loans or bank guarantees in the normal course of business may be granted by Fortis companies to Board members and 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, 2007 relating to loans, credits and guarantees granted to Board members and Executive Managers or to close family members of the Board members and close family members of Executive Managers, was EUR 6 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, 2007:

- Associates and joint ventures;
- Other related parties such as pension funds and significant minority shareholders in associates.

	2007			2006		
	Associates and Joint Ventures	Other	Total	Associates and Joint Ventures	Other	Total
	(in EUR million)					
Income and expenses — Related parties						
Interest income	438	5	443	34	4	38
Interest expense	(499)	(9)	(508)	(26)	(10)	(36)
Fee and commission income	5		5	12		12
Realized gains	174		174	3		3
Other income	29	8	37	30	5	35
Fee and commission expense	(31)	(4)	(35)	(24)	(4)	(28)
Operating, administrative and other expenses	(11)	(56)	(67)	(3)	(81)	(84)
Balance sheet — Related parties						
Investments in associates	426	846	1,272	162	965	1,127
Due from customers	620		620	477		477
Due from banks	235	124	359	15	104	119
Other assets	422	34	456	16	31	47
Due to customers	177	3	180	75	4	79
Due to banks	1,327	2	1,329	388	6	394
Debt certificates, subordinated liabilities and other borrowings	392	–	392	139	–	139
Other liabilities	292	183	475	13	267	280

With respect to related parties, Fortis granted the following guarantees and irrevocable and conditional commitments:

- EUR 2,049 million with respect to guarantees given to related parties;
- EUR 2,109 million with respect to guarantees obtained from related parties;
- EUR 221 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	
	2007	2006	2007	2006
Related party loans, receivables or advances at January 1	120	126	494	447
Acquisitions/divestments of subsidiaries	208		10	(18)
Additions or advances	52	18	421	113
Repayments	(21)	(24)	(292)	(48)
Related party loans, receivables or advances at December 31	359	120	633	494
Impairments at January 1	1	1	17	18
Change in impairments				(1)
Reversal of impairments	(1)		1	
Recoveries			(5)	
Impairments at December 31	–	1	13	17
Related party loans, receivables or advances at December 31	359	119	620	477

	Due to Banks		Due to Customers	
	2007	2006	2007	2006
Related party loans, receivables or advances at January 1	394	593	79	102
Acquisitions/divestments of subsidiaries	468		73	(2)
Additions or advances	564	54	741	466
Repayments	(93)	(253)	(713)	(487)
Other	(4)			
Related party loans, receivables or advances at December 31	1,329	394	180	79

SHAREHOLDING

The table below shows the shareholders of Fortis with participation equal to or exceeding 3% as of December 31, 2007.

	At December 31, 2007
Ping An Insurance (Group) Company of China, Ltd.	4.99%

On November 28, 2007 Fortis entered into a Memorandum of Understanding (the "**MoU**") with Ping An Insurance (Group) Company of China Ltd., which had, through a subsidiary, taken a stake of approximately 4.18% in Fortis. As a result, Ping An is now the single largest shareholder of Fortis and adheres to the Fortis Governance Statement.

Ping An, acting alone or in concert, shall not hold directly or indirectly, as a result of a private transaction or of a public offering (from which Ping An commits to refrain), more than 4.99% of the share capital of Fortis without the prior consent of Fortis. Beyond that, Fortis's approval shall be required in stages, i.e. beyond 4.99% and beyond 7%. Ping An is nonetheless entitled to (i) readjust its stake up to its previous level if and when any event attributable to Fortis results in a dilution of such stake, or (ii) increase its stake in Fortis beyond the limits referred to above should Fortis welcome any third party, acting along or in concert, to hold a higher percentage than the stake then held by Ping An. Ping An has declared that it ultimately wishes to obtain a 7% shareholding in Fortis, and Fortis has stated that it intends to explore possible means to that end, without prejudice to what is stated above.

Under the MoU, Ping An is entitled to propose the appointment of one non-executive director to the Fortis Board, provided Ping An holds at least 4% of the share capital of Fortis. It is up to the Annual General Meetings of Shareholders of Fortis to decide on such appointment upon the proposal of the Fortis Board based on the recommendation of the Fortis Nomination and Remuneration Committee. If the non-executive director elected based on Ping An's proposal disagrees with the majority of the Fortis Board regarding a resolution to be submitted to the Extraordinary General Meeting of Shareholders, Ping An shall be entitled to sell its stake in Fortis either to Fortis itself or to a third party designated by Fortis or, should no agreement be reached on the sale price, to such person and in such manner as Ping An shall deem fit.

Under the MoU, if Fortis offers more favourable terms to any other shareholder in the future, it will be required to extend the same more favourable terms to Ping An. The commitments entered into by Ping An apply to Ping An itself and to its subsidiaries. The MoU is for a three-year term and may be renewed or terminated by mutual consent. The MoU reflects the intention of Ping An to hold its stake in Fortis as a stable shareholder as long as the MoU remains in force, subject to various events, among which a merger or a general offer for Fortis either recommended by the Fortis Board or in respect of which more than 50% of the Fortis shares have been committed by other shareholders. Should Ping An sell its stake after the expiry date of the MoU, Fortis may exercise a right of pre-emption.

CERTAIN TAX CONSIDERATIONS

The following is a general description of certain tax consequences of purchasing, owning and disposing of Securities. Prospective purchasers of the Securities should consult their own tax advisers as to the applicable tax consequences of the ownership of Securities based on their particular circumstances.

EU Savings Income Directive

Under Council Directive 2003/48/EC on taxation of savings income in the form of interest payments, Member States are required to provide to the tax authorities of another Member State details of payments of interest and other similar income paid by a paying agent within its jurisdiction to or for an individual or a residual entity in that other Member State. However, for a transitional period Austria, Belgium and Luxembourg are instead required (unless during such period they elect otherwise) to operate a withholding tax in relation to such payments. The transitional period will end after agreement on exchange of information is reached between the European Union and certain non-European Union states. No withholding will be required where the Securities holder authorizes the person making the payment to report the payment or presents a certificate from the relevant tax authority establishing exemption therefrom. A number of third countries (including Switzerland and Liechtenstein) have adopted equivalent measures (a withholding or reporting system in the case of Switzerland and Liechtenstein) and certain European Union dependent or associated territories have adopted the same measures with effect from the same date. The attention of Securities holders is drawn to item (iii) of the "Additional Amounts" section of the Terms and Conditions of the Securities.

Taxation in Luxembourg

The statements herein regarding taxation in Luxembourg are based on the laws in force in the Grand Duchy of Luxembourg as of the date of this Prospectus and are subject to any changes in law. The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to purchase, own or dispose of the Securities. ***Potential investors are strongly advised to consult their own professional tax advisers as to the Luxembourg tax consequences of the acquisition, ownership and disposition of the Securities.***

Luxembourg tax position of the holders of the Securities

A holder of the Securities will not become resident, or be deemed to be resident, in Luxembourg by reason only of the holding of the Securities, or the execution, performance, delivery and/or enforcement of the Securities.

Withholding tax

Luxembourg non-resident individuals

Under Luxembourg tax law currently in effect and subject to the application of the Luxembourg laws dated June 21, 2005 (the "**Laws**") implementing the European Council Directive 2003/48/EC on taxation of savings income in the form of interest payments (the "**Savings Directive**") and several agreements concluded between Luxembourg and certain dependent or associated territories of the European Union, there is no withholding tax on payments of interest (including accrued but unpaid interest) made to Luxembourg non-resident holders of Securities. There is also no Luxembourg withholding tax, upon repayment of the principal or, subject to the application of the Laws, upon redemption or exchange of the Securities.

Under the Laws, a Luxembourg based paying agent (within the meaning of the Savings Directive) is required, since July 1, 2005, to withhold tax on interest and other similar income paid by it to (or under certain circumstances, for the benefit of) an individual or a residual entity in the sense of article 4.2. of the Savings Directive (i.e., an entity without legal personality and whose profits are not taxed under the general arrangements for the business taxation and that is not, or has not opted to be considered as, a

UCITS recognized in accordance with Council Directive 85/611/EEC) ("**Residual Entities**"), resident or established in another Member State of the European Union unless the beneficiary of the interest payments elects for an exchange of information or for the tax certificate procedure. The same regime applies to payments to individuals or Residual Entities resident in certain dependent or associated territories of the European Union.

The withholding tax rate is initially 15%, increasing steadily to 20% as from July 1, 2008 and to 35% as from July 1, 2011. The withholding tax system will only apply during a transitional period, the ending of which depends on the conclusion of certain agreements relating to information exchange with certain third countries.

Responsibility for the withholding of such tax will be assumed by the Luxembourg paying agent.

Luxembourg resident individuals

Under the Luxembourg law of December 23, 2005, payments of interest or similar income made since January 1, 2006 (but accrued since July 1, 2005) by a paying agent (within the meaning of the Savings Directive) established in Luxembourg to or for the immediate benefit of an individual beneficial owner who is resident of Luxembourg may be subject to a withholding tax of 10%. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth.

Responsibility for the withholding of such tax will be assumed by the Luxembourg paying agent.

Income tax

Taxation of Luxembourg non-residents

Holders of the Securities who are non-residents of Luxembourg and who do not have a permanent establishment or a permanent representative in Luxembourg to which the Securities are attributable, are not liable to any Luxembourg income tax, whether they receive payments of principal, payments of interest (including accrued but unpaid interest), payments received upon the redemption of the Securities, or realize capital gains on the sale or the exchange of any Securities.

Non-resident holders of the Securities who have a permanent establishment or a permanent representative in Luxembourg to which the Securities are attributable, are subject to Luxembourg income tax on interest accrued or received on the Securities, on any reimbursement premium received at maturity and on any gains realized upon the sale or disposal, in any form whatsoever, of the Securities.

Taxation of Luxembourg residents

Luxembourg resident individuals

The 10% Luxembourg withholding tax (see the above section "— Withholding tax on interest — Luxembourg resident individuals") represents the final tax liability on interest received for the Luxembourg resident individuals acting in the course of the management of his/her private wealth. For individual Luxembourg resident holders of the Securities, receiving the interest as income from their professional asset, the 10% Luxembourg withholding tax levied is credited against their final tax liability. They will not be liable for any Luxembourg taxation on income tax on repayment of principal.

Luxembourg resident individual holders of the Securities acting in the course of the management of their private wealth are not subject to taxation on capital gains upon the disposal of the Securities, unless the disposal of the Securities precedes the acquisition of the Securities or the Securities are disposed of within six months of the date of acquisition of these Securities. Upon redemption or exchange of the Securities, such individual Luxembourg resident holders of the Securities must however include the portion of the redemption or exchange price corresponding to accrued but unpaid interest in their taxable income if it is indicated separately in the redemption or exchange agreement.

Luxembourg resident individual holders of Securities acting in the course of the management of a business undertaking must include any gain realized on the sale, disposal or redemption of the Securities in their taxable income for Luxembourg income tax assessment purposes.

Luxembourg resident companies

Luxembourg resident companies (*sociétés de capitaux*) holders of the Securities or foreign entities of the same type which have a permanent establishment or a permanent representative in Luxembourg to which the Securities are attributed, must include any interest received or accrued, as well as any gain realized on the sale, disposal or redemption of the Securities, in their taxable income for Luxembourg income tax assessment purposes.

Holder of the Securities who are companies subject to the law of June 15, 2004 on venture capital vehicles may benefit from an exemption from income tax derived from the Securities, as well as gains realized thereon.

Luxembourg resident companies benefiting from a special tax regime

Holders of the Securities who are holding companies subject to the amended law of July 31, 1929 or undertakings for collective investment subject to the amended laws of December 20, 2002 or specialized investment funds governed by the law of February 13, 2007 or family wealth management companies subject to the law of May 11, 2007 are exempt from income and wealth taxes in Luxembourg and thus income derived from the Securities, as well as gains realized thereon, are not subject to Luxembourg income taxes.

Net Wealth Tax

Luxembourg net wealth tax will not be levied on a holder of the Securities, unless (i) such holder is a corporate entity resident in Luxembourg other than a holding company subject to the amended law of July 31, 1929, an undertaking for collective investment subject to the amended laws of December 20, 2002, a securitization company subject to the law of March 22, 2004 on securitization, a company subject to the law of June 15, 2004 on venture capital vehicles, a specialized investment fund subject to the law of February 13, 2007 or a family wealth management company subject to the law of May 11, 2007 or (ii) the Securities are attributable to an enterprise or part thereof which is carried on in Luxembourg through a permanent establishment or permanent representative in Luxembourg of the holder of the Securities, other than an individual.

Other Taxes

Registration taxes and stamp duties

There is no Luxembourg registration tax, stamp duty or any other similar tax or duty payable in Luxembourg by holders of the Securities as a consequence of the issue of the Securities, nor will any of these taxes be payable as a consequence of a subsequent transfer, redemption or exchange of the Securities.

Value added tax

There is no Luxembourg value added tax payable in respect of payments in consideration for the issue of the Securities or in respect of the payment of interest or principal under the Securities or the transfer of the Securities. Luxembourg value added tax will, however, be payable in respect of fees charged for certain services rendered to the Issuer, if for Luxembourg value added tax purposes such services are rendered or are deemed to be rendered in Luxembourg and an exemption from Luxembourg value added tax does not apply with respect to such services.

Inheritance and gift taxes

No Luxembourg estate or inheritance taxes are levied on the transfer of the Securities upon death of a holder of the Securities in cases where the deceased was not a resident of Luxembourg for inheritance tax purposes. If the holder of the Securities is a resident for tax purposes of Luxembourg at the time of his/her death, the Securities are included in his or her taxable estate for inheritance tax purposes.

Gift tax may be due on a gift or donation of the Securities, if embodied in a Luxembourg deed or otherwise registered in Luxembourg.

Taxation in Belgium

The following is a general discussion of certain tax implications under the laws of Belgium of the acquisition, ownership and disposition of the Securities as they may affect investors. The statements below are general in nature and are based on the tax laws and administrative guidelines in Belgium as of the date of this Prospectus and are subject to changes in such laws or administrative guidelines, or the interpretation of those laws or guidelines, possibly with retroactive or retrospective effect. It does not purport to be a comprehensive overview of all tax considerations that may be relevant to a decision to purchase, hold or dispose of the Securities, and, in particular, does not consider any specific facts or circumstances that may apply to a particular purchaser or holder. ***Potential investors are strongly advised to consult their own professional tax advisers as to the Belgian tax consequences of the acquisition, ownership and disposition of the Securities.***

Withholding tax on interest

If payments of interest are made without the intervention of a Belgian intermediary agent, no interest withholding tax will be due in Belgium.

However, if the holder of Securities is subject to the Belgian non profit legal entities tax, the holder will, as a rule, be liable to pay a 15% withholding tax on the interest payments on the Securities.

If payments of interest are made through a Belgian intermediary agent, such payments will in principle be subject to a 15% withholding tax in Belgium. However, Belgian tax law provides for a number of withholding tax exemptions subject to certain conditions.

Income tax on interest and capital gains — Belgian tax residents

Individuals subject to Belgian individual income tax

For holders of Securities who are private individuals, subject to Belgian individual income tax, and who are holding the Securities as a private investment, the Belgian tax withheld by the Belgian paying agent, will as a rule be final and the Belgian individual will, as a rule, not be liable in Belgium for any further tax on interest payments or capital gains.

In the absence of the application of a Belgian withholding tax regime, the holders of Securities, subject to Belgian individual income tax, holding the Securities as a private investment, will have to declare the interest income in their annual tax return, such income being, as a rule, taxed at an equivalent separate tax rate of 15%, to be increased by local taxes.

The pro rata interest included in the capital gain on the Securities is taxable as interest at a rate of 15%. In general, the calculation of the pro rata interest is done on a linear basis. However, due to the absence of clear guidelines in tax laws, the calculation of the interest on a pro rata basis may in practice be difficult.

If a private individual's capital gains arise from transactions going beyond the daily course of management of private property, the private individual will as a rule be subject to income tax at a rate of 33%, to be increased with local taxes.

Non profit entities subject to the Belgian non profit legal entities tax

For holders of Securities who are non profit entities, subject to the Belgian non profit legal entities tax, the Belgian withholding tax which has been applied to the interest payments will, as a rule, be final and the non profit entities will in principle not be liable in Belgium for any further tax on interest payments or capital gains.

The pro rata interest included in the capital gain on the Securities is taxable as interest at a rate of 15%. In general, the calculation of the pro rata interest is done on a linear basis. However, due to the absence of clear guidelines in tax laws, the calculation of the interest on a pro rata basis may in practice be difficult.

Companies subject to Belgian corporate income tax

Companies, subject to Belgian corporate income tax, will as a rule be taxable at a rate of 33.99% in Belgium on interest payments on the Securities and any gain realised upon transfer of the Securities. The Belgian withholding tax, if any, will in principle be creditable against any corporate income tax due to the extent that the holder has kept full legal ownership of the Securities during the period to which the interest payments relate.

Income tax on interest and capital gains — non Belgian tax residents

Non Belgian tax resident holders of Securities not subject to Belgian income tax

Holders of Securities who do not have their fiscal residence in Belgium and who do not have an establishment in Belgium to which the Securities are attributable should not be liable for any Belgian tax on income or capital gains by reason only of the acquisition/ownership or disposal of the Securities.

Non Belgian tax resident holders of Securities subject to Belgian income tax on non-residents

Non Belgian tax residents who use the Securities for carrying on a business in Belgium through a Belgian establishment will be taxable in Belgium on interest payments on the Securities and any gain realised upon transfer of the Securities, subject to any relief which may be available under the applicable income tax treaty. The Belgian withholding tax, if any, should in principle be creditable against any income tax due to the extent that the holder has kept full legal ownership of the Securities during the period to which the interest payments relate.

Transfer tax

Stock exchange tax

No stock exchange tax will be due upon the subscription of the Securities in Belgium.

Given the characterization of the Securities as a bond, the sale and purchase of the Securities on a secondary market through a professional intermediary in Belgium will give rise to tax on stock exchange transactions at the rate of, as a rule, 0.07%. Such tax will, however, be limited to a maximum amount of EUR 500 per taxable transaction and per party. The tax is separately due from each party to any such transaction, i.e. the seller and the purchaser, both collected by the professional intermediary.

No stock exchange tax is payable by:

(a) professional intermediaries mentioned in Article 2, 9° and 10° of the Law of August 2, 2002 acting for their own account;

(b) insurance companies mentioned in Article 2, § 1 of the Law of July 9, 1975 acting for their own account;

(c) institutions for occupational retirement provisions ("*instellingen voor bedrijfspensioenvoorziening/institutions de retraite professionelle*") mentioned in Article 2, 1° of the Law of October 27, 2006 acting for their own account;

(d) collective investment institutions mentioned in the Law of July 20, 2004 acting for their own account; and

(e) non-residents acting for their own account and provided they deliver an affidavit to a financial intermediary in Belgium confirming their non-resident status.

Taxation in The Netherlands

The following summary outlines certain Netherlands tax consequences in connection with the acquisition, ownership and disposal of the Securities. The summary does not purport to present any comprehensive or complete picture of all Netherlands tax aspects that could be of relevance to a (prospective) holder of Securities who may be subject to special tax treatment. The summary is based on the tax laws and practice of The Netherlands as in effect on the date of this Prospectus, which are subject to changes that could prospectively or retrospectively affect the stated tax consequences. ***Potential investors are strongly advised to consult their own professional advisers as to The Netherlands tax consequences of the acquisition, ownership and disposition of the Securities.***

Withholding Tax

All payments under the Securities may be made free of withholding or deduction of or for any taxes of whatever nature imposed, levied withheld or assessed by The Netherlands or any political subdivision or taxing authority thereof or therein.

Taxes on Income and Capital Gains

Holder of Securities resident in The Netherlands: individuals

This summary does not address the tax consequences of a holder of Securities who is an individual resident in The Netherlands and who has a substantial interest in the Issuer. Generally, a holder of Securities will have a substantial interest in the Issuer if he, whether alone or together with his spouse or partner and/or certain other close relatives, holds directly or indirectly,

(a) (x) the ownership of, (y) certain other rights, such as usufruct, over, or (z) rights to acquire (whether or not already issued), shares representing 5 percent or more of the total issued and outstanding capital (or the issued and outstanding capital of any class of shares) of the Issuer; or

(b) (x) the ownership of, or (y) certain other rights, such as usufruct over, profit participating certificates ("*winstbewijzen*") that relate to 5 percent or more of the annual profit of the Issuer or to 5 percent or more of the liquidation proceeds of Issuer.

In addition, a holder of Securities has a substantial interest in the Issuer if he, whether alone or together with his spouse or partner and/or certain other close relatives, has the ownership of, or other rights over, shares in, or profit certificates issued by, Issuer that represent less than 5 percent of the relevant aggregate that either (a) qualified as part of a substantial interest as set forth above and where shares, profit certificates and/or rights there over have been, or are deemed to have been, partially disposed of, or (b) have been acquired, as part of a transaction that qualified for non-recognition of gain treatment.

A holder of Securities, who is an individual, resident or deemed to be resident in The Netherlands, or who has elected to be taxed as resident in The Netherlands for Netherlands income tax purposes, will be subject to regular Netherlands income tax on the income derived from and the gains realized upon the Securities by the holder thereof, if:

(a) such holder of Securities has an enterprise or an interest in an enterprise to which the Securities are attributable; and/or

(b) such income or capital gain forms "a benefit from miscellaneous activities" ("*resultaat uit overige werkzaamheden*") which, for instance, would be the case if the activities with respect to the Securities exceed "normal active asset management" ("*normaal, actief vermogensbeheer*").

If neither of the abovementioned conditions (a) or (b) applies, the holder of Securities who is an individual, resident or deemed to be resident in The Netherlands, or who has elected to be taxed as resident of The Netherlands, will not be subject to taxes on income and capital gains in The Netherlands. Instead, such individual is taxed at a flat rate of 30 percent on deemed income from "savings and investments" ("*sparen en beleggen*"). This deemed income amounts to 4 percent of the average of the individual's "yield basis" ("*rendementsgrondslag*"), generally, at the beginning of the calendar year and the individual's "yield basis" at the end of the calendar year (minus a tax-free threshold).

Holder of Securities resident in The Netherlands: corporate entities

A holder of Securities that is resident or deemed to be resident in The Netherlands for corporate income tax purposes, and that is:

(a) a corporation;

(b) another entity with a capital divided into shares;

(c) a cooperative (association); or

(d) another legal entity that has an enterprise or an interest in an enterprise to which the Securities are attributable,

but which is not:

(e) a qualifying pension fund;

(f) a qualifying investment fund ("*fiscale beleggingsinstelling*"); or

(g) another entity exempt from corporate income tax,

will in general be subject to corporate income tax, generally levied at a rate of 25.5 percent (20 percent over profits up to €40,000 and 23 percent over profits between €40,000 and €200,000) over income derived from and gains realized upon the Securities by the holder thereof.

Holder of Securities outside The Netherlands: individuals

A holder of Securities who is an individual, not resident or deemed to be resident of The Netherlands, and who has not elected to be taxed as a resident of The Netherlands for Netherlands income tax purposes, will not be subject to any Netherlands taxes on any income derived from and capital gain realized upon the Securities, unless:

(a) such holder has an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in The Netherlands and to which enterprise or part of an enterprise, as the case may be, the Securities are attributable; and/or

(b) such income or capital gain forms a "benefit from miscellaneous activities" ("*resultaat uit overige werkzaamheden*") in The Netherlands which, for instance, would be the case if the activities with respect to the Securities exceed "normal active asset management" ("*normaal, actief vermogensbeheer*").

If either of the above-mentioned conditions (a) or (b) applies, income derived from and/or capital gains realized upon the Securities will in general be subject to Netherland income tax at the progressive rates up to 52 percent.

Holder of Securities resident outside The Netherlands: legal and other entities

A holder of Securities that is a legal entity, another entity with a capital divided into shares, an association, a foundation or a fund or trust, not resident or deemed to be resident in The Netherlands for Netherlands corporate income tax purposes, will not be subject to any Netherlands taxes on income or capital gains realized upon the Securities, unless such holder has an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in The Netherlands and to which enterprise or part of an enterprise, as the case may be, the Securities are attributable.

Gift, Estate and Inheritance Taxes

Holders of Securities resident in The Netherlands

Gift tax may be due in The Netherlands with respect to an acquisition of Securities by way of a gift by a holder of Securities who is resident, deemed to be resident in The Netherlands or is treated (at the request of the beneficiar(y)(ies) of the gift or estate) as a resident of The Netherlands. Inheritance tax may be due in The Netherlands with respect to an acquisition or deemed acquisition of Securities by way of an inheritance or bequest on the death of a holder of Securities who is resident, deemed to be resident in The Netherlands or is treated (at the request of the beneficiar(y)(ies) of the estate or bequest) as a resident of The Netherlands, or by way of a gift within 180 days before his death by an individual who is resident or deemed to be resident in The Netherlands at the time of his death.

For purposes of Netherlands gift and inheritance tax, an individual with a Netherlands nationality will be deemed to be resident in The Netherlands if he has been resident in The Netherlands at any time during the ten years preceding the date of the gift or his death. For purposes of Netherlands gift tax, an individual not holding a Netherlands nationality will be deemed to be a resident of The Netherlands if he has been resident in The Netherlands at any time during the twelve months preceding the date of the gift.

Holders of Securities resident outside The Netherlands

No gift, estate or inheritance taxes will arise in The Netherlands with respect to an acquisition or deemed acquisition of Securities by way of a gift by, or on the death of, a holder of Securities who is neither resident, deemed to be resident nor treated (at the request of the beneficiar(y)(ies) of the gift or estate) as resident in The Netherlands for Netherlands inheritance and gift tax purposes, unless:

(a) such holder at the time of the gift has or at the time of his death had an enterprise or an interest in an enterprise that is or was, in whole or in part, carried on through a permanent establishment or a permanent representative in The Netherlands and to which enterprise or part of an enterprise, as the case may be, the Securities are or were attributable; or

(b) in the case of a gift of Securities by an individual who at the date of the gift was neither resident nor deemed to be resident in The Netherlands, such individual dies within 180 days after the date of the gift, while being resident or deemed to be resident in The Netherlands.

Turnover Tax

No Netherlands turnover tax will arise in respect of any payment in consideration for the issue of Securities, with respect to any cash settlements of Securities or with respect to the delivery of Securities.

Other Taxes

No Netherlands registration tax, capital tax, customs duty, transfer tax, stamp duty or any other similar tax or duty, other than court fees, will be payable in The Netherlands in respect of or in connection with the execution, delivery and/or enforcement by legal proceedings (including the enforcement of any foreign judgment in the Courts of The Netherlands) of the documents relating to the issue of Securities or the performance by the Issuer of its obligations thereunder or under the Securities.

Taxation in Ireland

*The following is a general description of certain tax consequences of Irish resident investors purchasing, owning and disposing of Securities. The statements herein regarding taxation in the Republic of Ireland ("**Ireland**") are based on the laws in force in the Ireland as of the date of this Prospectus and are subject to any changes in law. The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to purchase, own or dispose of the Securities.* ***Potential investors are strongly advised to consult their own professional tax advisers as to the Irish tax consequences of the acquisition, ownership and disposition of the Securities.***

Withholding tax on interest

Under Irish tax law there is no obligation on the Issuer to operate any withholding tax on payments of interest on the Securities except where the interest has an Irish source. The interest could be considered to have an Irish source, where for example, interest is paid out of funds maintained in Ireland or where the notes are secured on Irish situate assets. The mere offering of the Securities to Irish investors will not cause the interest to have an Irish source.

In certain circumstances collection agents and other persons receiving interest on securities in Ireland on behalf of an Irish resident investor, will be obliged to operate a withholding tax (Encashment Tax).

Taxation of Irish Residents

Irish Resident Individuals — Such investors will be liable to tax at the marginal rate of income tax currently 41 percent (plus health and/or social levies depending on a person's personal circumstances) on such interest income and any gain (calculated without the benefit of indexation relief) accruing to such investor upon the sale or on the disposal of the Securities will also be charged to tax at the standard rate of income tax (currently 20%)

Where Luxembourg withholding tax is imposed under the Savings Directive, the investor can (i) avail of a procedure which permits Irish residents, who receive interest payments from Luxembourg, to apply to their local tax districts for a Certificate for Non-Deduction of Withholding Tax (subject to supplying and obtaining certain information) or alternatively (ii) an individual not in possession of a Certificate for Non-Deduction of Withholding Tax in any given year, may claim a credit for the tax withheld by way of an end of year review on her/his annual tax return form.

Irish Resident Companies — If the income does not form part of the company's trading income then any income received by the company would be taxable at the passive rate of tax in Ireland (currently 25%). Gains (calculated without the benefit of indexation relief) on the sale of the Securities (if any) should be liable to tax at 20%.

If however, the income forms part of the companies trading income then income and gains (calculated without the benefit of indexation relief) received thereon would be subject to the trading rate of tax (currently 12.5%) in Ireland.

Special Regimes — Attention is drawn to the fact that the above rules may not be relevant to particular types of investors (such as financial institutions, treasury companies, pension funds, etc), which may be subject to special rules.

Other Taxes

Stamp Duty — There is no Irish registration tax, stamp duty or any other similar tax or duty payable in Ireland by holders of the Securities as a consequence of the purchase of the Securities. However, where any subscription for, redemption, exchange, etc of the Securities is satisfied by the in specie transfer of other Irish securities, property or other types of assets, Irish stamp duty may arise on the transfer of such assets.

Value Added Tax — There is no Irish value added tax payable in respect of the receipt of interest or principal under the Securities or the transfer of the Securities. Nevertheless, the purchase of these Securities may affect the VAT recovery position of the Irish investor.

Capital Acquisitions Tax — A gift or inheritance comprising of the Securities will be within the charge to capital acquisitions tax (which subject to available exemptions and reliefs, is currently levied at 20 percent) if the disponer or the donee/successor in relation to the gift or inheritance is resident or ordinarily resident in Ireland (or, in certain circumstances, if the disponer is domiciled in Ireland irrespective of his residence or that of the donee/successor) on the relevant date.

Taxation in the United Kingdom

The following is a general description of certain UK tax considerations relating to the Securities based on current law and practice in the UK. It does not purport to be a complete analysis of all tax considerations relating to the Securities. It relates to the position of persons who are the absolute beneficial owners of Securities and some aspects do not apply to certain classes of taxpayer (such as dealers and holders of the Securities who are connected or associated with the Issuer for relevant tax purposes). ***Potential investors are strongly advised to consult their own professional tax advisers as to the UK tax consequences of the acquisition, ownership and disposition of the Securities.***

Taxation of Interest

UK withholding tax on interest

Payments of interest on the Securities may be made without withholding on account of UK tax provided the interest is not treated as having a UK source.

If interest on the Securities is treated as having a UK source, payments of such interest can still be made without withholding or deduction for or on account of UK income tax as long as the Securities are and continue to be "quoted Eurobonds" within the meaning of section 987 of the Income Tax Act 2007. This condition will be satisfied if the Securities are issued by a company, listed on a recognised stock exchange and carry a right to interest. The Securities will be treated as listed on a recognised stock exchange if they are admitted to trading on the Luxembourg Stock Exchange or Euronext Amsterdam and are officially listed in Luxembourg or The Netherlands in accordance with provisions corresponding to those generally applicable in European Economic Area states. Accordingly, payments of interest on the Securities may be made without withholding on account of UK income tax provided the Securities remain so listed at the time of payment.

If interest on the Securities is treated as having a UK source and the "quoted Eurobond" exemption does not apply, it may fall to be paid under deduction of UK income tax at the savings rate (currently 20%), subject to any direction to the contrary by HM Revenue and Customs ("**HMRC**") under the provisions of an applicable double taxation treaty, except that the withholding obligation is disapplied in respect of holders of the Securities who the Issuer reasonably believes are either a UK resident company or a non-UK resident company carrying on a trade in the UK through a permanent establishment which is within the charge to corporation tax, or who fall within various categories enjoying a special tax status (including charities and pension funds) or are partnerships consisting of such persons (unless HMRC directs otherwise).

Interest from a UK source may be subject to UK income tax by direct assessment even where paid without withholding. However, interest with a UK source received without deduction or withholding on account of UK tax will not be chargeable to UK tax in the hands of a Securities holder who is not resident for tax purposes in the UK unless that Securities holder carries on a trade, profession or vocation in the UK through a UK branch or agency or for holders who are companies through a UK permanent establishment, in connection with which the interest is received or to which the Securities are attributable. There are exemptions for interest received by certain categories of agent (such as some brokers and investment managers).

UK residents

Holders of the Securities who are resident in the UK will, in general, be subject to UK income tax or corporation tax on the full amount of interest on the Securities. Holders of the Securities who are within the charge to UK corporation tax will generally be treated for tax purposes as realizing profits or losses in respect of the Securities on a basis which is broadly in accordance with generally accepted accounting practice as that term is defined for tax purposes.

Credit may be given by HMRC either unilaterally or in accordance with a double tax treaty for foreign tax suffered by the UK resident holders of the Securities in respect of interest received.

Non-UK residents

On the basis that interest on the Securities is not regarded as income from a source in the United Kingdom, a Securities holder who, for UK tax purposes is neither a UK resident or ordinarily resident person nor a non-UK resident person holding Securities attributable to a trade, profession or vocation carried on in the UK through a branch or agency or a permanent establishment, will not be subject to UK tax on any interest received on the Securities or any fluctuations in value of the Securities or any other profits or gains arising in respect of the Securities.

Individual holders of the Securities who are either not domiciled or not ordinarily resident in the UK may claim that interest on the Securities should not be taxed in the UK under section 831 of the Income Tax (Trading and Other Income) Act 2005 except to the extent that amounts are remitted to the UK. In certain circumstances, interest that is not actually remitted to the UK may be treated as though remitted to the UK for tax purposes. Proposed changes in law are expected to impose certain other conditions for individuals in relation to this remittance basis.

Provision of Information

Any Paying Agent or other person through whom interest is paid to, or by whom interest is received on behalf of, an individual (whether resident in the UK or elsewhere) may be required to provide information in relation to the payment and the individual concerned to HMRC. HMRC may communicate information to the tax authorities of other jurisdictions.

Taxation of disposal of Securities

UK corporation taxpayers

In general holders of the Securities who are within the charge to UK corporation tax (other than investment trusts, venture capital trusts, authorised unit trusts and open-ended investment companies) will be treated for tax purposes as realizing profits, gains or losses (including exchange gains and losses) in respect of the Securities on a basis which is broadly in accordance with generally accepted accounting practice as that term is defined for tax purposes. Such profits, gains and losses (or where the Securities holder's functional currency is not sterling, then the sterling equivalent of such profits, gains and losses as computed in the Securities holder's functional currency) will be taken into account in computing taxable income for corporation tax purposes. Holders of the Securities who are investment trusts, venture capital trusts, authorised unit trusts or open ended investment companies will be subject to the same taxation treatment in respect of the Securities as other Securities holders who are within the charge to UK corporation tax, other than with respect to profits, gains or losses carried to or sustained by a capital reserve in the case of investment trusts and venture capital trusts, and other than with respect to profits, gains or losses which fall to be dealt with under certain headings for gains/losses in the statement of total return for the accounting period in respect of the Securities in the case of authorised unit trusts and open-ended investment companies (or for those investment trusts, venture capital trusts, authorised unit trusts or open-ended investment companies preparing accounts in accordance with international accounting standards, profits, gains or losses specified by order made by the Treasury). Such capital profits, gains or losses will not be brought into charge to corporation tax.

Other UK taxpayers

Holders of the Securities who are either resident or ordinarily resident in the UK will, in general, be subject to UK tax on capital gains on a disposal of the Securities. In addition, Securities holders who are individuals and who dispose of Securities while they are temporarily non-resident may be subject to UK tax on capital gains as if the capital gain or loss that would have accrued had the Securities holder been resident or ordinarily resident in the UK at the time of the disposal of the Securities had accrued in the tax year in which they again become resident or ordinarily resident in the UK. Any capital gain will be calculated by reference to the consideration received for the disposal of the Securities less the allowable original cost to the Securities holder of acquiring such Securities (including currency exchange rate differences calculated by ascertaining the difference between the pound sterling equivalent at the date of acquisition of the consideration given for the Securities and the pound sterling equivalent at the date of disposal of the proceeds received on disposal of the Securities). For UK resident investors who are individuals (or other non-corporate Securities holders), taper relief, which reduces a chargeable gain depending on the length of time for which an asset is held by the individual, may (subject to anticipated changes in law likely to take effect for disposals after 6 April 2008) be available to reduce the amount of chargeable gain realized on a subsequent disposal. However, Securities holders who are individuals and who are resident or ordinarily resident in the UK but who are not domiciled in the UK will not be subject to UK tax on capital gains arising on a disposal of the Securities unless they remit, or are for tax purposes deemed to remit, the proceeds of the disposal to the UK. Proposed changes in law are expected to impose certain other conditions for individuals in relation to this remittance basis.

On a disposal of Securities, a holder of those Securities who is resident or ordinarily resident in the UK or carries on a trade or business in the UK through a branch or agency to which the Securities are attributable may be chargeable to UK tax on income on an amount treated as representing interest accrued on the Securities at the time of disposal.

Other Taxes

No stamp duty or stamp duty reserve tax is payable on issue, transfer or redemption of the Securities.

Taxation in Spain

The following summary describes the material Spanish tax considerations relating to an investment in the Securities by holders resident in Spain. This summary does not purport to be a comprehensive discussion of all tax considerations relevant to a holder resident in Spain. In particular, this discussion does not consider any specific facts or circumstances that may apply to a particular investor. This summary is based on Spanish laws and regulations currently in force and as applied on the date of this Prospectus, which are subject to change. ***Potential investors are strongly advised to consult their own professional tax advisers as to the Spanish tax consequences of the acquisition, ownership and disposition of the Securities.***

Spanish resident individuals

Both interest received periodically and income derived from the transfer, redemption or repayment of the Securities constitute a return on investment obtained from the transfer of own capital to third parties for Individual Income Tax purposes, and must be included in the investor's Individual Income Tax savings taxable base and taxed at a flat rate of 18%.

As regards income obtained by Spanish resident individuals under the Securities, no Spanish withholding taxes should be deducted by the Issuer if it is a Luxembourg tax resident entity which does not have a permanent establishment in Spain. In such case, the withholding tax regime will be as follows:

(i) Interest paid to holders of the Securities who are Spanish resident individuals will be subject to Spanish withholding tax at 18% to be deducted by the custodian entity of the Securities or the entity in charge of collecting the income derived thereunder, if different, provided such entities are resident for tax purposes in Spain or have a permanent establishment in the Spanish territory.

(ii) Income obtained upon transfer of the Securities will be subject to Spanish withholding tax at 18% to be deducted by the financial entity acting on behalf of the seller, provided such entity is resident for tax purposes in Spain or has a permanent establishment in the Spanish territory.

(iii) Interest accrued and paid upon redemption of the Securities will be subject to Spanish withholding tax at 18% to be deducted by the financial entity appointed by the Issuer (if any) for redemption of the Securities, provided such entity is resident for tax purposes in Spain or has a permanent establishment in the Spanish territory.

Spanish resident corporations

Both interest received and income derived from the transfer or repayment of the Securities are subject to the Corporate Income Tax at a rate of 30%.

Taking into account that the Securities will be listed on an OECD market, income obtained thereunder by Spanish resident corporations will be exempt from Spanish withholding taxes.

Spanish Net Wealth Tax

Spanish resident individual holders of the Securities are subject to Spanish Net Wealth Tax at rates ranging from 0.2% to 2.5% on their worldwide net wealth. The Net Wealth Tax is assessed following the rules established in corresponding regulations (qualifying debts or liabilities would be deductible for these purposes) as of 31 December of each year. Such assessment would include the value of the Securities. Notwithstanding the foregoing, and unless otherwise regulated by the relevant region (*Comunidad Autónoma*) of residence, Individual Holders will be exempt from any Spanish Net Wealth Tax on the first €108,182.18 of their net wealth.

Note that the Spanish Government has recently announced that the Spanish Net Wealth Tax will be abolished during tax year 2008, with retroactive effect as of January 1, 2008. However, as the law implementing such measure has still not been published, there is some uncertainty in this regard.

Transfer Tax, Stamp Duty and Capital Duty

Transfers of Securities will be exempt from any Spanish Transfer Tax or Value Added Tax. Additionally, no Spanish Stamp Duty will be levied on such transfers.

Taxation in Portugal

*The statements herein regarding taxation in Portugal are based on Portuguese law in force as of the date of this Prospectus and on administrative interpretations thereof, and therefore is subject to any changes in such laws and interpretations thereof occurring after that date, including changes having retroactive effect. In particular, this description is based on the general provisions established in the Portuguese Corporate Income Tax ("**CIT**") Code and in the Personal Income Tax ("**PIT**") Code, which may not apply to those individuals or legal persons subject to special tax regimes (such as financial entities, exempt entities, cooperatives, or "look-through" entities).*

The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to purchase, own or dispose of the Securities. ***Potential investors are strongly advised to consult their own professional tax advisers on the Portuguese tax consequences of the acquisition, ownership and disposition of the Securities.***

Portuguese resident individuals

Interest or income arising from the refund or redemption of the Securities

Income derived by Portuguese resident individuals from the Securities will, as a general rule, be subject to a 20% withholding tax if the said income is paid by a Portuguese resident entity. The holders of the Securities may choose to treat the withholding tax as a final tax or to tax the interest deriving from the Securities at the general progressive PIT rates varying between 10.5% and 42%, in which case the withholding will be treated as a payment on account of the final tax due.

In other cases, as a general rule, the holders of the Securities will have to include the income derived from the Securities in their PIT returns to be (i) subject to taxation at an autonomous rate of 20% or (ii) to be aggregated with the remaining income to be subject to taxation at the general progressive PIT rates varying between 10.5% and 42% at the election of the investor.

Capital gains arising from the transfer of the Securities

Assuming that the Securities will be deemed as bonds or other debt instruments, as a general rule, the capital gains obtained by Portuguese resident individual holders on the transfer of the Securities will not be subject to Portuguese taxation.

Otherwise, i.e., should the Portuguese tax authorities challenge the qualification of the Securities as bonds or other debt instruments, any capital gains derived from its transfer will be subject to PIT. In this case, the individual holders of the Securities will be able to choose between the taxation of the positive difference between capital gains and losses at an autonomous rate of 10% or to aggregate that income to the remaining income to be subject to the general PIT rates (maximum marginal rate of 42%). Capital losses do not take part in the calculation of the net capital gains when the counterpart in the operation is resident in a country or territory listed as a tax haven in order 150/2004 of February 13, 2004.

Portuguese resident corporate entities

As a general rule, interest or income derived by corporate entities resident in Portugal, or non-resident corporate entities with a permanent establishment in Portugal to which the income is attributable, from the refund or redemption of the Securities, as well as capital gains arising from their transfer, will be regarded as taxable income and therefore subject to Portuguese CIT, at a 25% rate, to which a municipal surcharge of up to 1.5% is eventually may be added, reaching a final maximum rate of 26.5%.

Assuming that the Securities will be deemed as bonds or other debt instruments, losses arising from the transfer or redemption of the Securities should be, as a general rule, tax deductible. Otherwise, i.e., should the Portuguese tax authorities challenge the qualification of the Securities as bonds or other debt instruments, the corporate holders of the Securities should only be entitled to deduct 50% of the losses arising from its transfer.

Indirect Taxation

The acquisition, transfer, redemption, reimbursement and exchange of the Securities will not be subject to any Transfer Tax or Stamp Tax in Portugal and will be exempt from Portuguese Value Added Tax, in accordance with the Portuguese legislation.

No indirect taxation will be due in Portugal regarding gratuitous transfers of the Securities.

Taxation in Hong Kong

The statements herein regarding taxation in the Hong Kong Special Administrative Region are based on the laws in force in the Hong Kong Special Administrative Region as of the date of this Prospectus and are subject to any changes in law. The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to purchase, own or dispose of the Securities. Each prospective holder or beneficial owner of the Securities should consult its tax advisor as to the tax consequences of the ownership and disposition of the Securities. Please note that there are special rules applicable to certain types of taxpayers (e.g., financial institutions and insurance companies).

Profits Tax

Profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business. Gains arising from the sale of capital assets are exempt from profits tax.

According to the practice of the Inland Revenue Department, interest on the Securities received by a person carrying on a trade, profession or business in Hong Kong, other than a financial institution or a person carrying on a business in the nature of money lending, will not be chargeable to profits tax.

There is no withholding tax in Hong Kong in respect of any payment of interest.

There is no capital gains tax in Hong Kong. In any event, gains arising from the sale and purchase or redemption of the Securities effected by a broker on the Luxembourg Stock Exchange and/or Euronext Amsterdam will be treated as arising outside Hong Kong and therefore not be subject to profits tax.

Stamp Duty

No stamp duty will be payable on the subscription, transfer or redemption of the Securities.

Estate Duty

There is no estate duty in Hong Kong.

Taxation in Singapore

The following summary describes the material Singapore tax considerations relating to an investment in the Securities. This summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to purchase, own or dispose of the Securities. The statements herein regarding taxation in Singapore are based on Singapore laws, regulations, and interpretation currently in force and as applied on the date of this Prospectus which are subject to change, possibly with retroactive effect and the generally published practice of the Singapore tax authority as at the date of this Prospectus. The relevant laws and regulations are subject to various interpretations and the relevant tax authorities or the courts could disagree with the explanations or conclusions set out below. ***Potential investors are strongly advised to consult their own professional tax advisers as to the Singapore tax consequences of the acquisition, ownership and disposition of the Securities.***

For the purpose of the material Singapore tax consequences described herein, it is assumed that at all relevant times:

(a) the Securities will not be arranged by any financial institution in Singapore or by any financial sector incentive (bond market) company;

(b) the interest paid on the Securities will not be borne, directly or indirectly, by a person resident in Singapore or a permanent establishment in Singapore except in respect of any business carried on outside Singapore through a permanent establishment outside Singapore or any immovable property situated outside Singapore;

(c) *the interest paid on the Securities will not be deductible against any income accruing in or derived from Singapore;*

(d) *the funds raised from the issue of the Securities will not be brought into or used in Singapore.*

Singapore tax position of the holders of the Securities

A holder of the Securities will not become resident, or be deemed to be resident, in Singapore by reason only of the holding of the Securities, or the execution, performance, delivery and/or enforcement of the Securities.

In general

Singapore imposes tax on gains of an income nature but does not impose tax on gains of a capital nature.

A corporate entity is regarded as tax resident in Singapore if its business is controlled and managed in Singapore.

An individual is regarded as tax resident in Singapore if the individual is physically present in Singapore or exercised employment in Singapore (other than as a director of a company) for 183 days or more in the calendar year preceding the year of assessment, or if the individual ordinarily resides in Singapore.

The current corporate tax rate in Singapore is 18%. In addition, with effect from Year of Assessment 2008, 75% of up to the first S$10,000 of a company's normal chargeable income, and 50% of up to the next S$290,000 is exempt from corporate tax. If the company has at least one individual shareholder with at least a 10% shareholding, then there will be a full tax exemption of 100% of the first S$100,000 and 50% of the next S$200,000 of the company's income for its first three years of assessment from incorporation. The remaining chargeable income (after the partial or full tax exemption) will be taxed at 18%.

Singapore tax-resident individuals are subject to tax based on progressive rates, currently ranging from 0% to 20% with effect from Year of Assessment 2007. For the Year of Assessment 2008, a resident individual taxpayer will receive an income tax rebate of 20%, capped at S$2,000.

Chargeable income of non-Singapore resident individuals (other than employment income) is generally subject to tax at 20% with effect from Year of Assessment 2007.

Taxation of Singapore residents

Singapore resident companies. Singapore tax resident corporate taxpayers are subject to Singapore income tax on income accruing in or derived from Singapore and on foreign income received or deemed received in Singapore, subject to certain exceptions. Holders of Securities who are Singapore resident companies who are receiving the interest as pure interest income and not as trading or business income will not be taxed on the interest payable on the Securities unless such interest is received or deemed received in Singapore.

Income is deemed to be received in Singapore where such income:

(a) is remitted to, transmitted or brought into, Singapore;

(b) is applied in or towards satisfaction of any debt incurred in respect of a trade or business carried on in Singapore; or

(c) is applied to purchase any movable property which is brought into Singapore.

Singapore resident individuals. All foreign-sourced income (including interest) received or deemed received in Singapore by a Singapore tax resident individual (except income received through a partnership in Singapore) on or after January 1, 2004 is exempt from Singapore income tax if the Singapore Comptroller of Income Tax is satisfied that the tax exemption would be beneficial to the individual.

Taxation of Singapore non-residents

Singapore non-resident companies. Non-Singapore tax resident corporate taxpayers are subject to Singapore income tax on income accruing in or derived from Singapore, and on foreign income received or deemed received in Singapore, subject to certain exceptions. Holders of Securities who are non-Singapore tax resident companies who are receiving the interest as pure interest income and not as trading or business income will not be taxed on the interest payable on the Securities unless such interest is received or deemed received in Singapore.

Singapore non-resident individuals. Non-Singapore tax resident individuals are subject to Singapore income tax on income accruing in or derived from Singapore, subject to certain exceptions. All foreign-sourced income (including interest) received or deemed received in Singapore by a non-Singapore tax resident individual is exempt from Singapore income tax.

Gains on Disposal of the Securities

Singapore currently does not impose tax on capital gains. However, there are no specific laws or regulations which deal with the characterisation of gains. In general, gains may be construed to be of an income nature and subject to Singapore income tax if they arise from activities which the Singapore Comptroller of Income Tax regards as the carrying on of a trade or business in Singapore or if the gains arise out of a transaction which is not an activity in the ordinary course of trade or business, or an ordinary incident of some other business activity, and at the time the transaction was entered into the taxpayer had the intention or purpose of making a profit from that transaction.

Stamp Duty

Stamp duty is payable in Singapore on instruments relating to the transfer of any interest in stock and shares of any corporation, company, body corporate, body of persons incorporated, society or limited liability partnership formed or established in Singapore and immovable property in Singapore.

The transfer of any interest in the Securities is however not subject to Singapore stamp duty provided that no share register in respect of such Securities is kept in Singapore.

Estate Duty

With effect from February 15, 2008, no estate duty will be leviable in respect of deaths occurring on or after February 15, 2008.

Goods and Services Tax

Singapore generally imposes 7% GST on taxable supplies of goods and services made in Singapore by a taxable person (i.e. person who is a registered or required to register for GST) in the course or furtherance of a business. In the case of services, a supply is made in Singapore where the supplier is a person belonging in Singapore (within the meaning of Section 15 of the GST Act).

The issue, allotment or transfer of ownership of the Securities is an exempt supply not subject to GST.

Taxation in Austria

Investors should be aware that this overview cannot be used as a substitute for individual tax advice and is not intended to be definitive. There can be no guarantee that the Austrian tax authorities will adopt the same interpretation of the matters as set out below and due to changes in the settled

practice of Austrian tax authorities or Austrian case law, the tax treatment of alternative investments may, even retroactively, vary and lead to different results than those set out herein. Potential investors are strongly advised to consult their own professional tax advisers as to the Austrian tax consequences of the acquisition, ownership and disposition of the Securities. The discussion of certain Austrian taxes set forth below is included for information purposes only.

General

The tax treatment of perpetual securities has not yet been finally clarified by the Austrian Federal Ministry of Finance (*Bundesministerium für Finanzen, BMF*) or decisions of the Austrian Supreme Administrative Court (*Verwaltungsgerichtshof*, *VwGH*). A perpetual security should qualify as debt instrument for Austrian tax purposes if the perpetual security does not provide for a participation in the profits and liquidation profits of the issuer, i.e. if the securities are substantially comparable to other debt instruments. The following overview is based on the assumption that the Securities qualify as debt instruments for Austrian tax purposes.

Austrian tax resident individual investors

Interest received by an individual investor resident in Austria for tax purposes (i.e., the individual has its tax residence/domicile and/or its habitual place of abode in Austria) is subject to Austrian income tax.

If the interest is paid by an Austrian coupon paying agent, withholding tax at a rate of 25% is triggered. Such withholding tax is final (i.e., the investor does not have to include such income in the income tax return) provided that the Securities are both legally and actually publicly offered. If the investor's applicable average income tax rate is below 25%, the investor may file an income tax return including the interest income and apply for assessment of his income tax liability based on his income tax return.

In the absence of an Austrian coupon paying agent, the investor has to include the interest income in the income tax return and Austrian income tax at the special rate of 25% is due (§ 37(8) of the Austrian Income Tax Act (*EStG*)).

A deduction of expenses that are directly economically connected to the Securities, if the income received thereunder is subject to flat and final withholding tax or to the special income tax rate of 25%, is not available.

Capital gains from the sale of the Securities, held by a private investor, are only taxable if the Security is sold prior to or at the end of one year after its acquisition (so called "speculative transaction"). Income tax at the regular rates of up to 50% would be due if the aggregate amount of profits from speculative transactions realized by the private investor in a given calendar year exceeds €440. Losses from a speculative transaction realized within the calendar year may only be compensated with income of the private investor from speculative transactions realized in the same calendar year.

If the Securities are held as a business asset, capital gains from the sale of the Securities are taxable income (being subject to income tax at the regular rates of up to 50%) irrespective of any holding period.

Austrian tax resident corporate investor

A corporation that is subject to unlimited corporate income tax liability in Austria (i.e., a corporation that has its seat or place of effective management in Austria) receiving such income will be subject to Austrian corporate income tax at a rate of 25%. The 25% Austrian withholding tax may be triggered but is creditable against the corporate investor's Austrian corporate income tax liability. Corporate investors may avoid triggering the 25% Austrian withholding tax on interest by filing a declaration of exemption (§ 94(5) of the Austrian Income Tax Act (*EStG*)).

Capital gains from the sale of the Securities, held as a business asset, are taxable income (being subject to corporate income tax at the rate of 25%) irrespective of any holding period.

A specific tax rate (12.5%; so called interim taxation) applies to interest income earned by an Austrian private-law foundation (*Privatstiftung*). That interim corporate income tax may be credited against the tax due on distributions of the private-law foundation.

Capital gains from the sale of the Securities that are held by an Austrian private law foundation may be subject to Austrian corporate income tax at a rate of 25% as income from speculative transactions.

Non-Austrian tax resident investors

Interest income derived from the Securities by investors that are not resident in Austria for tax purposes and do not maintain an Austrian permanent establishment to which such interest is attributable should not be taxable in Austria. Nevertheless, if the interest is paid by an Austrian coupon-paying agent, 25% withholding tax is triggered unless the non-Austrian resident investor proves his non-resident status for tax purposes to the Austrian coupon-paying agent by presenting an official picture identification card. In addition, Austrian citizens or citizens of an Austrian neighboring state have to provide a written declaration that they neither have a domicile nor their habitual place of abode in Austria. Further, the securities under which the interest is paid must be deposited with an Austrian bank. If Austrian withholding tax on investment income has been deducted by the Austrian coupon paying agent, the non-Austrian tax resident investor may reclaim the withholding tax within five calendar years following the date of the imposition of the withholding tax. (BMF, EStR 2000 para 7775 et seq). Non-Austrian resident corporations may avoid the deduction of the Austrian withholding tax at source, if the Securities are deposited with an Austrian bank and the evidence in writing is forwarded to the bank, confirming that the corporation is the beneficial owner of the Securities and neither has statutory seat nor a place of management in Austria (BMF, KStR 2001 para 1464).

Under the Austrian EU-Source Tax Act (*EU-QuStG*; implementing Directive 2003/48/EC of June 3, 2003), interest paid by an Austrian coupon-paying agent to an individual beneficial owner resident in another EU member state is subject to EU source tax at a rate of currently 15% (as of July 1, 2008: 20%; as of July 1, 2011: 35%). Interest within the meaning of the EU-QuStG are, among others, interest paid or credited to an account, relating to debt claims of every kind, whether or not secured by mortgage and whether or not carrying a right to participate in the debtor’s profits, and, in particular, income from government securities and income from bonds or debentures, including premiums and prizes attaching to such securities, bonds or debentures.

An exemption from EU source taxation applies, among others, if the beneficial owner of the interest forwards to the Austrian paying agent documentation issued by the tax office where the tax payer is resident, stating (i) the beneficial owner’s name, address and tax identification number (in the absence of a tax identification number the beneficial owner’s date and place of birth), (ii) the paying agent’s name and address (iii) the beneficial owner’s address and account number or the security identification number. Further, EU source tax is not triggered if interest within the meaning of the EU-QuStG is paid to an institution within the meaning of § 4(2) EU-QuStG resident in another EU Member State and this institution agrees upon written request of the Austrian paying agent to enter into a simplified information exchange procedure with the Austrian paying agent.

Inheritance and gift tax

Inheritance and gift tax is levied on inheritances, gifts and special purpose donations if either the beneficiary or the deceased/donor is resident in Austria for inheritance tax purposes. The inheritance and gift tax rate varies from 2% to 60%, depending on the value of the Securities transferred and on the relationship of the beneficiary to the deceased or the donor. Securities held by private investors are exempt from inheritance tax (not from gift tax), if they qualify for final income taxation or for the special 25% income tax rate.

In 2007, the Austrian Constitutional Court ruled the Austrian inheritance and gift tax on transfers *mortis causa* and donations unconstitutional. Austrian inheritance and gift tax on transfers *mortis causa* and donations will lapse, unless repaired or otherwise re-enacted by the Austrian legislator until August 1, 2008. Based on the assumption that Austrian inheritance and gift tax will lapse, current draft legislation will provide for a notification obligation with respect to the donations of securities after July 31, 2008 if the value of the donation exceeds certain minimum thresholds. The exact reaction of the Austrian legislation in the present context remains to be awaited.

Taxation in France

The following is a summary addressing the French tax treatment of the holding and disposal of the Securities. This summary is (i) based on the laws and regulations in full force and effect in France as at the date hereof, which may be subject to change in the future, potentially with retroactive effect, and (ii) prepared on the assumption that the Issuer of the Securities is not a French resident for French tax purposes. Investors should be aware that the comments below are of a general nature and do not constitute legal or tax advice and should not be understood as such. Potential investors are strongly advised to consult their own professional tax advisers as to the French tax consequences of the acquisition, ownership and disposition of the Securities.

French Withholding Tax

Withholding tax treatment of Securities held by French resident legal entities liable for French Corporate Income Tax

Proceeds from the holding (in case of coupon payments), disposal or redemption of the Securities should not be subject to French withholding tax.

Withholding tax treatment of Securities held as private assets by French tax resident individuals

In principle, proceeds from the holding (in case of coupon payments), disposal or redemption of the Securities should not be subject to any mandatory French withholding tax. French individuals may, in certain cases, elect for the levy of a Final Withholding Tax (as defined below) on income derived from coupon payments.

Taxes on income and capital gains

Taxation of French tax resident individuals holding the Securities as private assets and who are not engaged in stock exchange transactions in conditions similar to those that characterize the activity exercised by a person carrying out such transactions on a professional basis

Income paid by the Issuer to a French tax resident individual holding the Securities as private assets are generally includable in the holder's global income subject to income tax at a progressive rate (the highest rate amounting to 40% for income realised in 2007), to which are added social taxes at the rate of 11% which break down as follows:

- the general social contribution (***CSG***) at the rate of 8.2%, 5.8% of which is deductible for income tax purposes in respect of the year of payment of the CSG;
- the surcharge for the repayment of the social security debt (***CRDS***) at the rate of 0.5%, non deductible for income tax purposes;
- the social levy at the rate of 2% (*"prélèvement social de 2%"*), non deductible for income tax purposes;
- the additional contribution to the social levy of 2% at the rate of 0.3% (*"contribution additionnelle au prélèvement socia"*), non deductible for income tax purposes.

French tax resident individuals holding the Securities as private assets and receiving certain types of income sourced in France or in another Member State of the European Union are entitled to elect for a final withholding tax (the ***Final Withholding tax***) in full satisfaction of income tax % (*"prélèvement libératoire"*); provided that:

- the income qualifies as income from fixed income securities ("*produits de placements à revenu fixe*") within the meaning of Articles 125 A I and D of the French Tax Code ;

- the paying agent ("*établissement payeur*") is established in France, in another Member State of the European Union, or in a country which is a party to the European Economic Area treaty (excluding Liechtenstein) and which has entered with France into a tax treaty providing for an administrative assistance to combat fraud or tax evasion; and,

- the debtor (in the case where the paying agent and the debtor are different persons) is established in France, in another Member State of the European Union, or in a country which is a party to the European Economic Area treaty (excluding Liechtenstein) and which has entered with France into a tax treaty providing for an administrative assistance to combat fraud or tax evasion.

If the above requirements are met and provided that the French tax resident individual elects for the Final Withholding Tax regime, income from the holding, disposal or redemption of the Securities would be subject to income tax at the flat rate of 18% in lieu of taxation under ordinary rules and in full satisfaction of income tax, to which are added social taxes at the rate of 11% which break down as follows:

- the CSG at the rate of 8.2%, non deductible for income tax purposes;

- the CRDS at the rate of 0.5%, non deductible for income tax purposes;

- the social levy at the rate of 2% ("*prélèvement social de 2%*"), non deductible for income tax purposes;

- the additional contribution to the social levy of 2% at the rate of 0.3% ("*contribution additionnelle au prélèvement social*"), non deductible for income tax purposes.

In the case of such an election by a French tax resident individual, the Final Withholding Tax (at an aggregate effective rate of 29%) should be levied either by the French tax resident individual or by the foreign paying agent (in the latter case, the French tax resident individual needs to appoint the foreign paying agent as his/her agent for purposes of levying the Final Withholding tax).

Pursuant to Article 11 of the Directive 2003/48/EEC dated June 3, 2003 (the ***Savings Directive***), as from July 1, 2005, the paying agents residing in Austria, Belgium and Luxembourg shall levy a withholding tax where they pay interest to certain European recipients at a rate of 15 % during the first three years of the transitional period (i.e., until July 1, 2008), 20 % for the subsequent three years (i.e., until 1 July 2011) and 35% thereafter. Pursuant to Article 199 *ter* I-c of the French Tax Code, French tax resident individuals deriving income that has been subject, in the paying agent's jurisdiction, to withholding tax pursuant to the Savings Directive, are entitled to a tax credit equal to the amount of that withholding tax, in the conditions discussed in the official guidelines 5 I-1-06, dated January 12, 2006 and 5 I-9-06, dated October 16, 2006.

Capital gains resulting from the transfer of the Securities by individuals are, generally, taxable from the first euro if the global amount of transfers of securities or other rights and instruments referred to under Article 150-0 A of the French Tax Code (excluding transfers benefiting from a tax rollover regime or an exemption by virtue of a special tax provisions such as under the Share Saving Schemes ("*PEA*") regime) realised during the calendar year exceeds, per fiscal household ("*foyer fiscal*"), a threshold currently fixed at €25,000 (for capital gains realised in 2008).

In such a case, such capital gains are subject to income tax at a rate of 18% together with social taxes of 11% (resulting in a total rate of 29%) which break down as follows:

- the CSG at the rate of 8.2%, non deductible for income tax purposes;

- the CRDS at the rate of 0.5%, non deductible for income tax purposes;

- the social levy at the rate of 2%, non deductible for income tax purposes;

- the additional contribution to the social levy of 2% at the rate of 0.3%, non deductible for income tax purposes.

Capital losses incurred during a given year can only be offset against gains of the same nature realised during the year of transfer or the following ten years, provided that the transfer threshold mentioned above has been exceeded in respect of the year during which the capital loss is realised.

Taxation of French tax resident legal entities subject to French corporate income tax

Income derived by French tax resident legal entities subject to French corporate income tax from a debt instrument is generally taxable on an accruals basis, except where such income qualifies as a "redemption premium" within the meaning of Article 238 *septies* E of the French Tax Code. Under this provision, the redemption premium of a debt instrument is equal to the difference between (a) sums or values to be received, whatever their nature, except for linear interest paid out each year at regular payment dates and still to be received after the acquisition, and (b) those paid upon subscription or acquisition. Such redemption premium should be included in each year's taxable income pursuant to an actuarial allocation of the sums on the duration of the debt instrument. This allocation rule applies if (i) the redemption premium, if any, exceeds 10% of the acquisition price of the debt instrument, and (ii) the issue price of the debt instrument is equal to or less than 90% of its redemption price.

Income arising under the Securities is taxable at the current standard corporate income tax rate of 33.1/3%, increased, as the case may be, by a 3.3% additional contribution assessed on the corporate income tax after deduction of an amount of €763,000 per twelve month period.

Subject to the conditions set out in Articles 219 I b and 235 *ter* ZC of the French Tax Code, certain legal entities may be entitled to a reduced corporate income tax rate of 15% up to a limit of €38,120 per twelve month period and to an exemption of the 3.3% additional contribution.

Capital gains realised upon the sale of the Securities by French tax resident legal entities are taxable at the current standard corporate income tax rate of 33.1/3%, increased, as the case may be, by a 3.3% additional contribution assessed on the corporate income tax after deduction of an amount of €763,000 per twelve month period.

Subject to the conditions set out in Articles 219 I b and 235 *ter* ZC of the French Tax Code, certain legal entities may be entitled to a reduced corporate income tax rate of 15% up to a limit of €38,120 per twelve month period and to an exemption of the 3.3% additional contribution.

Registration Duty

No French registration duty will be due on the issue or the transfer of the Securities.

Wealth Tax

Securities held by French tax resident individuals as private assets will be comprised in the taxable basis of French wealth tax ("*impôt de solidarité sur la fortune*") due, as the case may be, by their holder.

Gift and Inheritance Duties

Securities acquired by individuals by way of gift or inheritance may be subject to gift or inheritance tax in France, under the relevant rules provided by French legislation and the provisions of any relevant double tax treaty.

Taxation in Germany

The following is a summary of some important German fiscal provisions that are relevant in connection with the acquisition, the holding and the sale, the assignment or redemption of the Securities. The Summary is based on the German tax law and their interpretation on the date of this Prospectus, *which may be amended at short notice, even with retroactive effect. The summary will also outline the amendments regarding the new tax regime of investment income and capital gains as it will come into effect from January 1, 2009. This summary is not intended to be a comprehensive and complete presentation of all aspects that could be relevant to holders under German tax law. It is not a substitute for tax advice.*

Potential investors are strongly advised to consult their own professional tax advisers as to the German tax consequences of the acquisition, ownership and disposition of the Securities.

German tax residents holders

Interest Payments

All interest payments, including interest having accrued up to the disposition of a Security and credited separately ("Accrued Interest" – *Stückzinsen*) paid to a holder being tax resident in Germany (persons whose residence, habitual abode, statutory seat, or place of effective management and control is located in Germany) are subject to income or corporate tax plus the solidarity surcharge in the amount of 5.5% of the relevant income or corporate tax liability. If the Securities are held as assets of a German commercial business, these interest payments are also subject to trade tax (*Gewerbesteuer*). If the Securities are held as a non-business asset, any Accrued Interest paid by an individual upon the acquisition of the Securities may give rise to negative income and may, therefore, reduce such holder's personal income tax liability.

(a) *Withholding tax*

If the Securities are held in a custodial account maintained with the German branch of a German or non-German bank or financial services institution ("Disbursing Agent" – *inländische Zahlstelle*), withholding tax (*Zinsabschlagsteuer*) in the amount of 30% (plus a 5.5% solidarity surcharge thereon, i.e. a total of 31.65%) will be withheld from the gross amount of interest, including Accrued Interest, paid to a holder. With effect from 1 January 2009 the amount of withholding tax to be imposed will be reduced to 25% plus 5.5% solidarity surcharge for both corporate and private holders.

No tax is withheld by the Disbursing Agent, if the holder is an individual who has filed a certificate of exemption (*Freistellungsauftrag*) with the Disbursing Agent and the Securities held by such individual are not part of a German commercial business property or generate income from the letting and leasing of property. However, this exemption applies only to the extent that the aggregate interest income derived from the Securities after deduction of Accrued Interest paid upon the purchase of the Securities together with individual's other investment income administered by the Disbursing Agent, does not exceed the amount of EUR 801 (for individuals) respectively EUR 1,602 for married couples filing a joint assessment ("Maximum Exemption Amount"). There is also no withholding obligation, if the holder submits to the Disbursing Agent a certificate of non-assessment (*Nichtveranlagungsbescheinigung*) issued by the competent tax authority.

(b) *Assessment of final income tax liability*

Tax withheld by the Disbursing Agent (until December 31, 2008) will be credited as an advanced payment against the final German income or corporate tax liability of the respective holder in the course of the tax assessment procedure. Any potential surplus for the benefit of the holder will be paid out to the respective holder.

However, if the withholding tax (if any) imposed on the interest payments under the Securities will be paid after December 31, 2008 the withholding tax is definite (flat tax; *Abgeltungssteuer*) with respect to private holders holding the Security as a non-business asset. Private holders may include the capital investment income in their personal income tax return to achieve a lower tax rate. Income not subject to withholding tax (e.g. since there is no Disbursing Agent) will be subject to a special definite tax rate of 25% (plus solidarity surcharge and church tax (if any)) upon assessment unless the private holder requests the inclusion of the investment income in his tax assessment provided this leads to a lower tax liability.

Moreover, private holders are not allowed to deduct their expenses relating to the total investment in a calendar year but, instead, are entitled to deduct an annual lump sum of EUR 801 (for individuals) respectively of EUR 1,602 (for married couples filing a joint assessment).

Sale or Redemption of the Securities

The Issuer believes that the Securities qualify as financial innovation (*Finanzinnovation*) in the meaning of § 20 (2) clause 1 no. 4 of the German Income Tax Act (*Einkommensteuergesetz)*. This qualification results in a tax treatment as set out in this summary. However, it is not possible to predict reliably whether or not the competent tax authorities will share this view. If the tax authorities should not consider the Securities as financial innovation a different tax treatment may apply.

Capital gains from the sale, assignment or redemption of the Securities, including the capital gains achieved by a second or subsequent purchaser, are considered as interest income. Therefore, they are subject to personal or corporate income tax plus 5.5% solidarity surcharge thereon under German tax law. If the Securities are held as a German business asset, such profits are also subject to trade tax. The taxable capital gain from the sale, assignment or redemption of the Securities is calculated as the difference between the proceeds from the sale, assignment or redemption and the issue or purchase price of the Securities (so-called *Marktrendite*). The tax authorities hold the view, that if financial innovations are held as non-business assets, losses are deductible as negative investment income in principle. However, the Federal Fiscal Court (*Bundesfinanzhof*) denied the deduction of losses from the disposal or redemption of financial innovations or the taxation of gains from financial innovations in the case that the amount of remuneration for the use of capital and the change of the value of the securities can be separated without major difficulties, cf. BFH of 13.12.2006 VIII R 79/03, DStR 2007 p. 286; BFH of 20.11.2006 VIII R 97/02, DStRE 2007 p. 601; BFH of 13.12.2006 VIII R 62/04, DStR 2007 p. 338; BFH of 11.07.2006 VIII R 67/04, DStR 2007 p. 106. The tax authorities have joined this view in principle. However, the overall consequences of these decisions for the taxation of the Securities are currently unclear.

With effect from January 1, 2009 onward capital gains from the sale or redemption of the Securities – in principle calculated as proceeds from the sale minus expenses relating to the sale and minus acquisition costs – qualify as investment income pursuant to § 20 (2) clause 1 no. 7 EStG under the new tax regime.

(a) *Withholding tax*

For Securities held in a custodial account maintained with a Disbursing Agent since the acquisition of the Securities, the Disbursing Agent will be required to withhold tax in the amount of 30% (plus a 5.5% solidarity surcharge) of the excess of the proceeds from the sale or redemption over the purchase price paid for the Securities if the sale or the redemption occur in the course of the year 2008. If the Disbursing Agent has changed since the acquisition of the Securities, tax is withheld in the amount of 30% (plus a 5.5% solidarity surcharge) of the sale or redemption proceeds. With effect from 1 January 2009 onward the withholding tax rate will be reduced to 25% plus 5.5% solidarity surcharge thereon, i.e. in total a withholding tax rate of 26.375% will be imposed irrespective of whether the holder qualifies as a private or a corporate holder. If custody has changed since the acquisition and the acquisition costs have not been certified by the bank or the financial services institution located in Germany or another EC or EEA country which has held the Securities before the change of custody, the tax at a rate of 25% (plus solidarity surcharge) will be imposed on the proceeds from the sale or redemption of the Securities. In computing the tax to be withheld, the Disbursing Agent may deduct from the basis of the withholding tax any Accrued Interest previously paid during the calendar year by the holder to the Disbursing Agent. No tax will be withheld, if the holder is an individual whose Security does not form part of the property of a German business nor gives rise to income from the letting and leasing of property and who filed a certificate of exemption (*Freistellungsauftrag*) with the Disbursing Agent to the extent that the interest income derived from the Securities together with other investment income does not exceed the Maximum Exemption Amount shown on this certificate (see above Interest Payments). There is also no withholding tax imposed if the holder submits to the Disbursing Agent a certificate of non-assessment (*Nichtveranlagungsbescheinigung*) issued by the competent tax authority.

(b) *Assessment of final tax liability*

The tax withheld (until December 31, 2008, see above) will be credited against the holder's annual income or corporate tax liability.

However, with respect to private holders holding the Securities as private asset withholding tax (if any) imposed on the sale or redemption of the Securities occurring after December 31, 2008 will be definite and can not be credited against the final tax liability of the holder in principle. This result ensues from the newly implemented flat tax regime which taxes exclusively investment income in the hand of private holders where the asset is held as private asset at a rate of 25% plus 5.5% solidarity surcharge plus church tax (if any). However, private holders having a lower personal income tax rate may include the capital investment income in their personal income tax return to achieve a lower tax rate. Losses from the sale or redemption of the Securities can only be off-set against other investment income. In the event that an off-set is not possible in the assessment period in which the losses have been realised, such losses can be carried forward into future assessment periods only and can be off-set against investment income generated in future assessment periods. Moreover, private holders are not allowed to deduct their expenses relating to the total investment in a calendar year but, instead, are entitled to deduct an annual lump sum of EUR 801 (for individuals) respectively of EUR 1,602 (for married couples filing a joint assessment).

Corporate holders will remain entitled to credit the withholding tax paid on their final tax liability. Moreover, corporate holders can deduct all expenses relating to the investment and can off-set losses from investment income with profits/gains from other income.

Non-resident holders

Interest, including Accrued Interest, paid to a holder and capital gains from the sale or redemption realised by a holder not being resident in Germany will generally not be taxable in Germany and no tax will be withheld (even if the Securities are kept with a Disbursing Agent). However, German withholding tax has to be imposed, if (i) the Securities are held as a business asset of a permanent German establishment or by a permanent representative of the non-resident holder, if (ii) the interest income of such Securities does otherwise constitute German source income (e.g. income from the letting and leasing of specific real estate located in Germany or income from over-the-counter transactions) and if (iii) the non-resident holder does not comply with the procedural rules to prove his status as a non-tax resident. In these cases, the holder not being resident in Germany will be subject to a tax regime similar to that described above under "*German tax resident holders*". However, in particular in case (iii) withholding tax is not creditable against the holder's annual income tax liability.

Inheritance and Gift Tax

The transfer of the Securities in case of succession upon death, or by way of a gift among living persons is subject to German inheritance and/or gift tax, if the deceased, donor and/or the recipient is a German resident. German inheritance and gift tax is also triggered, if neither the deceased, the donor nor the recipient of the Securities are German residents, if the Securities are attributable to German business activities and if for such business activities a German permanent establishment is maintained or a permanent representative is appointed in Germany. In specific situations, also German expatriates that have been tax resident in Germany may be subject to inheritance and gift tax. Double taxation treaties may provide for exceptions to the German inheritance and gift tax regulations.

The Inheritance and Gift Tax Act is also currently subject to a reform. The outcome and implications hereof are remote from being clear

Taxation in Italy

The following is a general description of current Italian tax law and ministerial practice relating to the purchase, holding and transfer of the Securities. It does not purport to be a complete analysis of all tax considerations that may be relevant to a decision to purchase, own or dispose of the Securities and does *not purport to deal with the tax consequences applicable to all categories of prospective beneficial owners of Securities, some of which may be subject to special rules.*

This summary is based upon Italian tax laws and ministerial practice in effect as at the date of this Prospectus, which may be subject to change, potentially with retroactive effect.

Potential investors are strongly advised to consult their own professional tax advisers as to the Italian tax consequences of the acquisition, ownership and disposition of the Securities.

1. Italian income taxes

1.1 Interest, Premia and Other Proceeds Payable on the Securities

Italian resident Securityholders

The Italian income tax treatment applicable to Italian resident Securityholders depends upon the qualification under Italian tax law principles of such Securities.

Indeed, if the Securities, in the light of the fact that the Issuer shall pay at maturity (or upon an early redemption) the principal amount outstanding, are characterized as bonds or similar securities pursuant to Article 44(2)(b) of Presidential Decree of December 22, 1986, n. 917 (the "***Decree 917***"), then the tax regime under the Decree 239 will apply (the ***Decree 239 regime***). However, pursuant to a different interpretation, the Securities, being perpetual securities, could be treated as "atypical financial instruments" (*titoli atipici*), being therefore governed by the provisions of the Decree of September 30, 1983 No. 512 (the ***Decree 512 regime***).

The Decree 239 regime

Pursuant to the Decree 239 regime, a substitute tax (*imposta sostitutiva*) levied at the rate of 12.5 per cent. is currently applicable to interest, premia and any other proceeds in respect of the Securities (the ***Interest***), issued by a non Italian resident issuer, if derived by an Italian resident beneficial owner of the Securities which is:

(i) an individual not engaged in a business activity to which the Securities are effectively connected (unless such individual has entrusted the management of his financial assets, including the Securities, to an authorized intermediary and has opted for the so-called *Risparmio Gestito* regime according to article 7 of Legislative Decree No. 461 of 21 November, 1997 as amended (***Decree 461*** - the ***Asset Management Option***); or

(ii) a partnership (other than a *società in nome collettivo or società in accomandita semplice* or similar partnership) or de facto partnership not carrying out commercial activities or professional associations, or

(iii) a non-commercial private or public institution; or

(iv) an investor exempt from corporate income tax.

The *imposta sostitutiva* is a final tax and discharges any Italian income tax liabilities in respect of the Interest.

Pursuant to the Decree 239, *imposta sostitutiva* is applied by banks, *società di intermediazione mobiliare* ("***SIMs***"), *società di gestione del risparmio* ("***SGR***"), fiduciary companies, exchange agents (*agenti di cambio*) and other qualified entities identified by the relevant decrees of the Ministry of Finance resident in Italy which intervene in the collection of the Interest (the "***Intermediaries***" and each an "***Intermediary***"). For the Intermediaries to be entitled to apply the *imposta sostitutiva*, they must (i) be (a) resident in Italy or (b) resident outside Italy, with a permanent establishment in Italy or (c) organizations and companies non-resident in Italy, acting through a system of centralized administration of securities and directly connected with the Department of Revenue of the Ministry of Finance (which include Euroclear and Clearstream, Luxembourg) having appointed an Italian representative for the purposes of Decree 239; and (ii) be involved, in any way, in the collection of interest or in the transfer of the Securities. For the purpose of the application of *imposta sostitutiva*, a transfer of Securities includes any assignment or any other act, either with or without consideration, which results in a change of the ownership of the relevant Securities.

If Interest on the Securities are collected by one of the subjects indicated here above under (i) to (iv) not through the intervention of a Intermediary and as such no *imposta sostitutiva* is levied, the Italian resident Securityholders are required to include such interest and other proceeds in their yearly income tax return and to apply and pay final substitute tax at a rate of 12.5% on the amount of such Interest. Alternatively, Italian resident individual Securityholders holding the Securities not in connection with entrepreneurial activity may elect not to apply the substitute taxation regime, but to pay ordinary personal income taxes at progressive rates in respect of Interest on the Securities: if so, the Securityholders should generally benefit from a tax credit for final withholding taxes applied outside Italy, if any.

No *imposta sostitutiva* is applicable where an Italian resident individual Securityholder holds the Securities in a discretionary investment portfolio managed by an Italian authorized financial intermediary and opts to be taxed at the flat rate of 12.5 per cent. on the appreciation of the investment portfolio accrued, even if not realized, at year-end (which appreciation includes any Interest accrued on the Securities) pursuant to the so-called Asset Management Option set forth by Article 7 of the Decree 461.

The *imposta sostitutiva* is currently applicable also on any Interest derived by an Italian resident beneficial owner of the Securities which is an individual holding the Securities in connection with entrepreneurial activities. The Interest on the Securities must be included, on an accrual basis, in the aggregate taxable income of such Securityholder. As a consequence, the Interest will be subject to personal income tax ("***IRPEF***"), at the applicable progressive rate, and the *imposta sostitutiva* levied on the Interest will be creditable against IRPEF due by such Securityholder. Furthermore, withholding taxes on the Interest, if any, applied outside of Italy could be creditable in the hands of such Securityholders, pursuant to the provisions governing the foreign tax credit.

No *imposta sostitutiva* is applicable on Interest payable to Italian resident corporate entities or to permanent establishments in Italy of foreign corporations to which the Securities are effectively connected, provided that the Securities are timely deposited with an authorized financial intermediary. Interest on the Securities must be included, on an accrual basis, in the aggregate taxable income of the Securityholders for corporation tax purposes ("***IRES***", levied at the rate of 27.5 per cent.). In certain cases, depending on the *status* of the Securityholders Interest accrued on the Securities may also be included in the net value of production subject to regional tax on productive activities ("***IRAP***", generally levied at the rate of 3.9 per cent. (even though regional surcharges may apply). In these cases, in general a tax credit for final withholding taxes applied outside Italy, if any, should be generally available

No *imposta sostitutiva* is applicable on Interest payable to Italian pension funds (subject to the regime provided by Article 17, paragraph 1 of Legislative Decree No. 252 of December 5, 2005) and to Italian collective investment funds, provided that the Securities are timely deposited with an authorized financial intermediary. Interest on the Securities must be included in the calculation of the management result of the fund accrued at year-end, which is subject to a substitute tax at the rate of 11 per cent. (the latter being the "***Pension Fund Tax***") in case of pension funds or to a substitute tax at the rate of 12.5 per cent. in case of Italian collective investment funds (the latter being the "***Mutual Fund Tax***").

No *imposta sostitutiva* is applicable on Interest payable to Italian real estate investment funds to which the provisions of Law Decree No. 351 of September 25, 2001, as subsequently amended, apply, provided that the Securities are deposited with an authorized financial intermediary. The income of such real estate investment funds (which includes the Interest on the Securities) is in principle taxed in the hands of the participants to the fund on a cash basis (i.e., upon collection of the proceeds derived from the investment).

The Decree 512 regime

In the event that the Securities, being perpetual securities, are treated as "*titoli atipici*" for Italian tax purposes, any proceeds (including the difference between the amount paid to Securityholders at maturity and the issue price) on Securities paid to Italian resident beneficial owners who are (i) private individuals holding the Securities not in connection with entrepreneurial activities, (ii) real estate investment funds, (iii) pension fund, (iv) collective investment funds and SICAVs and (v) persons and entities exempt from corporate income tax, shall be subject to final "entrance" withholding tax at rate of 27%, if the Securities are placed ("*collocati*") in Italy and an entrusted Italian resident bank or financial intermediary intervenes in the collection of payments on the Securities, in the repurchase or in the transfer of the Securities. The 27% "entrance" withholding tax shall be levied by such Italian bank or financial intermediary.

If the Securities are not placed ("*non collocati*") in Italy and payment of proceeds on the Securities are not received through an entrusted Italian resident bank or financial intermediary that intervenes in the collection of payments on the Securities, in the repurchase or in transfer of the Securities, and as such no "entrance" withholding tax is required to be levied, the subjects indicated above (i) to (v) will be required to report the payments in their yearly income tax return and subject them to a final substitute tax at rate of 27%. The individual beneficial owners may elect instead to pay ordinary personal income tax at the progressive rates applicable to them in respect of the payments: if so, the beneficial owners should generally benefit a tax credit for withholding taxes applied outside Italy, if any.

In case of Italian resident beneficial owners who are corporate entities and commercial partnerships (including permanent establishments in Italy of foreign entities to which the Securities are effectively connected), payments received on the Securities will not subject to any "entrance" withholding tax and will form part their aggregate taxable business income (and, in certain cases, depending on the status of the Securityholders, may also be included in the taxable net value of production subject to IRAP) subject to tax in Italy according to ordinary tax provisions. A tax credit for withholding taxes applied outside Italy, if any, should be generally available;.

Non Italian resident Securityholders

Interest on Securities derived by Securityholders who are not resident in Italy for tax purposes, without permanent establishment in Italy to which the Securities are effectively connected, should not be subject to any Italian taxation. If the Securities are deposited with an Italian bank or other resident intermediary or are sold through an Italian bank or other resident intermediary or in any case an Italian resident intermediary (or permanent establishment in Italy of foreign intermediary) intervenes in the payment of Interest on the Securities, to ensure payment of Interest on Securities gross of substitute tax, a non-Italian resident Securityholder may be required to timely produce to the Italian bank or other intermediary (or permanent establishment in Italy of foreign intermediary) a self-declaration certifying to be the beneficial owner of payments of Interest on the Securities and not to be resident in Italy for tax purposes.

1.2 Capital Gains on the Disposal or Redemption of the Securities

Italian resident Securityholders

Pursuant to Decree 461, a 12.5 per cent substitute tax (referred to as "capital gain tax") is applicable to capital gains realized by Italian resident individuals not engaged in entrepreneurial activities to which the Securities are connected, on any sale or transfer for consideration of the Securities or redemption thereof.

In respect of the application of this capital gain tax, taxpayers may opt for one of the three regimes described below.

Under the tax declaration regime (*regime della dichiarazione*), which is the default regime for the taxation of capital gains realized by Italian resident individuals not engaged in an entrepreneurial, the 12,5 per cent *imposta sostitutiva* on capital gains will be chargeable, on a yearly cumulative basis, on all capital gains, net of any incurred capital losses, realized by the Italian resident individual Securityholder, holding Securities not in connection with an entrepreneurial activity, in any sale or redemption of the Securities which occurs during any given tax year. Italian resident individuals holding the Securities not in connection with an entrepreneurial activity must indicate the overall capital gains realized in any tax year, net of any relevant incurred capital losses, in the annual tax return and pay the capital gain tax on such gains together with any balance due in respect of income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains of the same kind realized in any of the four succeeding tax years.

As an alternative to the tax declaration regime, Italian resident individual Securityholders holding the Securities not in connection with an entrepreneurial activity may elect to pay the capital gain tax separately on capital gains realized on each sale or redemption of the Securities (the *risparmio amministrato* regime provided for by article 6 of Decree 461). Such separate taxation of capital gains is allowed subject to:

(i) the Securities being deposited with Italian banks, *società di intermediazione mobiliare* (SIM) or certain authorized financial intermediaries; and

(ii) an express election for the *risparmio amministrato* regime being made in writing in due time by the relevant Securityholder.

The intermediary is responsible for accounting for capital the gain tax in respect of capital gains realized on each sale or redemption of the Securities (as well as in respect of capital gains realized upon the revocation of its mandate), net of any incurred capital losses, and is required to pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the Securityholder or using funds provided by the Securityholder for this purpose. Under the *risparmio amministrato* regime, where a sale or redemption of the Securities results in a capital loss, such loss may be deducted from capital gains of the same kind subsequently realized, within the same relationship of deposit, in the same tax year or in the four succeeding tax years. Under the *risparmio amministrato* regime, the Securityholder is not required to declare the capital gains in its annual tax return and the Securityholder remains anonymous. Any capital gains realized by Italian resident individuals holding the Securities not in connection with an entrepreneurial activity who have opted for the Asset Management Option will be included in the computation of the annual increase in value of the managed assets accrued, even if not realized, at year end, subject to a 12.5 per cent. substitute tax, to be paid by the managing authorized intermediary. Under the Asset Management Option, any depreciation of the managed assets accrued at year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Also under the Asset Management Option, the Securityholder is not required to declare the capital gains realized in its annual tax return and the Securityholder remains anonymous.

Any capital gain realized upon the sale or redemption of the Securities would be treated as part of the taxable business income (and, in certain circumstances, depending on the *status* of the Securityholder, also as part of the net value of the production for IRAP purposes) subject to tax in Italy according to the relevant tax provisions if derived by an Italian company or a similar commercial entity (including an Italian permanent establishment of a foreign entity to which the Securities are effectively connected) or Italian resident individuals engaged in an entrepreneurial activity, as to any capital gains realized within the scope of the commercial activity carried out.

Any capital gains realized by a Securityholder which is an Italian collective investment fund or a SICAV will be included in the result of the relevant portfolio accrued at the end of the tax period and will be subject to the Mutual Fund Tax.

Capital gains on the Securities held by real estate investment funds to which the provisions of Law Decree No. 351 of 25 September 2001, as subsequently amended, apply, are not subject capital gain tax: no tax is levied on the aggregate income of the real estate fund.

Any capital gains realized by a Securityholder which is an Italian pension fund (subject to the regime provided for by for by article 17, paragraph 1 of Legislative Decree No. 252 of December 5, 2005) will be included in the results of the relevant portfolio accrued at the end of the tax period and will be subject to Pension Fund Tax.

Non Italian resident Securityholders

Capital gains realized upon sale of redemption of Securities by Securityholders who are not resident in Italy for tax purposes (private individuals and entities), without permanent establishment in Italy to which the Securities are effectively connected, are not subject to Italian taxation, provided that the Securities are held outside the Italian territory.

In case the Securities are held in Italy, in principle capital gains realized by non-Italian resident Securityholders (private individuals and entities), without permanent establishment in Italy to which the Securities are effectively connected, may be taxable in Italy with the same rules as those set out above, which apply to Italian resident private individuals holding Securities not in connection with entrepreneurial activity.

However, according to Article 23, first paragraph, letter f), of Decree No. 917 capital gains realized by Securityholders (either individuals or entities) who are not resident in Italy for tax purposes and do not have a permanent establishment in Italy to which the Securities are effectively connected are not deemed to be realized in Italy (and as such no Italian income taxes shall be due thereon), if the Securities are listed on a regulated market, in Italy or abroad,. This applies irrespective as to whether the Securities are held in Italy and regardless of the provisions of any applicable double tax treaty entered into by Italy. In order to benefit from this exemption from Italian taxation on capital gains, non-Italian resident Securityholders, without permanent establishment in Italy to which the Securities are effectively connected, who hold Securities in Italy with an Italian authorized financial intermediary (or permanent establishment in Italy of foreign intermediary) and elect for the Asset Management Option or are subject to the *risparmio amministrato* regime, may be required to promptly file with the Italian authorized financial intermediary a self-declaration certifying not to be resident in Italy for tax purposes.

The *risparmio amministrato* regime provided for by Art 6 of Decree 461 is the ordinary regime automatically applicable to non-Italian residents (individuals and entities) in relation to Securities deposited for safekeeping or administration with Italian banks, SIMs and other qualified intermediaries. However, non-Italian residents retain the right to waive this regime through timely communication, according to the conditions provided for by law.

Furthermore, Article 5(5) of the Decree 461 provides for an exemption in respect of capital gains realized on the disposal of Securities which are realized by Securityholders that are resident in countries allowing an adequate exchange of information.

1.3 Early redemption of the Securities

Without prejudice to the above provisions, in the event that the Securities, having an original maturity of eighteen months or more, are subject to an early redemption in whole or in part within eighteen months from the date of issue, Italian resident beneficial owners will be generally required to pay an additional amount (tax) equal to 20 per cent. in respect of Interest accrued on the early redeemed Securities up to the time of the early redemption, in accordance with the provisions of

Article 26 of the Decree No. 600 of September 29, 1973. Where Italian withholding agents intervene in the collection of interest on the Securities or in the redemption of Securities, this additional amount may be levied by such withholding agents by way of a withholding tax. In accordance with one interpretation of Italian tax law, also in the event of purchase of Securities by the Issuer with subsequent cancellation thereof prior to eighteen months from the date of issue, the Issuer may be required to pay the above 20 per cent additional amount.

2. Inheritance and gift tax

Pursuant to Law Decree No. 262 of October 3, 2006 (converted into law by Law No. 286 of November 24, 2006), the transfer of any asset of value (including shares, bonds or other securities) as a result of death or donation are taxed as follows:

(i) transfers in favor of spouses and direct descendants are subject to an inheritance and gift tax applied at a rate of 4 per cent. to the extent that the value of the inheritance or gift exceeds €1,000,000;

(ii) transfers in favor of relatives up to the fourth degree and relatives-in-law to the third degree are subject to an inheritance and gift tax applied at a rate of 6 per cent. on the entire value of the inheritance or gift; and

(iii) any other transfer is subject to an inheritance and gift tax applied at a rate of 8 per cent. on the entire value of the inheritance or gift.

3. EU Savings Tax Directive

Italy has implemented the EU Savings Directive through Legislative Decree No. 84 of April 18, 2005 ("***Decree No. 84***"). Under Decree No. 84, subject to a number of important conditions being met, in the case of interest paid starting from July 1, 2005 to individuals which qualify as beneficial owners of the interest payment and are resident for tax purposes in another Member State, Italian qualified paying agents report to the Italian Tax Authorities details of the relevant payments and personal information on the individual beneficial owner. Such information is transmitted by the Italian Tax Authorities to the competent foreign tax authorities of the State of residence of the beneficial owner.

4. Tax Monitoring:

Italian resident individuals, partnerships (other than *società in nome collettivo, società in accomandita semplice* or similar partnerships), de facto partnerships not carrying out commercial activities, professional associations and public and private entities, other than companies, not carrying out commercial activities, will be required to report in their yearly income tax return, for tax monitoring purposes:

(i) the amount of investments held abroad and foreign financial assets generating foreign source income taxable in Italy (including the Securities) held at the end of each tax year, if exceeding in the aggregate €10,000.00;

(ii) the amount of any transfers from abroad, towards abroad and occurring abroad, related to investments held abroad and foreign financial assets generating foreign source income taxable in Italy (including the Securities), occurring during each tax year, if these transfers exceed in the aggregate €10,000.00 each year. This also applies in the case that at the end of the tax year, investments held abroad and foreign financial assets generating foreign source income taxable in Italy (including the Securities) are no longer held by the above-mentioned subjects.

The above subjects will however not be required to comply with the above reporting requirements if the Securities are deposited under a management or administration relationship with qualified Italian financial intermediaries (including permanent establishments in Italy of foreign intermediaries), upon condition that the items of income derived from the Securities are collected through the intervention of the same intermediaries.

Taxation in Liechtenstein

The statements herein regarding taxation in Liechtenstein are based on the laws in force in the Principality of Liechtenstein at the date hereof. The following explanations are of a preliminary and general nature only and cannot be considered as a comprehensive or complete picture of all Liechtenstein tax aspects that could be of relevance for (prospective) investors.

Potential investors are strongly advised to consult their own professional tax advisers as to the Liechtenstein tax consequences of the acquisition, ownership and disposition of the Securities.

Withholding Tax on Interest

Liechtenstein has entered into a Treaty on Taxation of Interest with the European Union in 2004 and has subsequently thereto issued a Law on the Taxation of Interest (LGBl. Nr. 112/2005, entered into force on July 1, 2005) implementing the terms of said treaty. Based on the Liechtenstein Law on the Taxation of Interest Liechtenstein paying agents are obliged to deduct withholding tax from payments of interest to beneficiaries with domicile in the European Union.

For investors with domicile in Liechtenstein withholding tax is not deducted by a Liechtenstein paying agent.

Securities of a Liechtenstein issuer or a foreign issuer purchased and held by an investor in Liechtenstein are subject to capital / wealth tax of 1%. Any kind of proceeds, earnings, revenues from securities, which are subject to capital tax, are tax free in Liechtenstein (Art 45 Liechtenstein Tax Act).

Realised capital gains and speculation profits in case of sale of securities (difference between sales proceeds and purchase price) by a Liechtenstein domiciled investor are subject to income tax. For commercial entities, income tax ranges between 7.5 and 15%.

Certain types of legal entities qualifying as “domiciled entities” with no commercial activities within Liechtenstein enjoy privileged flat taxation.

SUBSCRIPTION AND SALE

Fortis Bank, Merrill Lynch International and Morgan Stanley & Co. International plc (together, the "**Managers**") will severally but not jointly agree to procure subscribers for or failing which, themselves to subscribe for the entire issued amount of the Securities pursuant to an Underwriting Agreement (the "**Underwriting Agreement**") dated on or about May 14, 2008, as supplement by a Pricing Supplement to be dated on or about May 23, 2008 at the issue price of 100% of the principal amount of the Securities. In addition, Fortis SA/NV, Fortis N.V. and Fortis Hybrid Financing will agree to indemnify the Managers against certain liabilities incurred in connection with the issue of the Securities. The Managers will receive a combined selling, management and underwriting commission as provided for in the Underwriting Agreement.

The yield will be calculated on the basis of the expected Coupon rate that will be between 8.00% and 8.25% per annum at the Closing Date. The yield will be published on the website of the Luxembourg Stock Exchange (www.bourse.lu) and the Euronext Daily Official List ("*Officiële Prijscourant*") of Euronext. It is not an indication of future yield. Both Fortis Hybrid Financing and the Managers will be entitled to terminate the Underwriting Agreement in certain circumstances before the issue of the Securities.

Addresses of the Managers

Fortis Bank
Montagne du Parc 3
1000 Brussels
Belgium

Merrill Lynch International
Merrill Lynch Financial Centre
2, King Edward Street
London EC1A 1HQ
United Kingdom

Morgan Stanley & Co. International plc
25 Cabot Square
London E14 4QA
United Kingdom

United States

The Securities 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 Securities (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 Securities during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Securities 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 Securities 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 Hybrid Financing; 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 Securities in, from or otherwise involving the United Kingdom.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Manager has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Securities which are the subject of the offering contemplated by this Prospectus to the public in that Relevant Member State other than the offers contemplated in this Prospectus in Austria, Belgium, France, Germany, Ireland, Italy, Luxembourg, Portugal, Spain, The Netherlands, the United Kingdom and the Principality of Liechtenstein from the time this Prospectus has been approved by the CSSF and published and notified to the relevant competent authorities in accordance with the Prospectus Directive as implemented in Austria, Belgium, France, Germany, Ireland, Italy, Portugal, Spain, The Netherlands, the United Kingdom and the Principality of Liechtenstein until the Issue Date (or such later date as Fortis Hybrid Financing may permit), except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Securities to the public in that Relevant Member State:

(A) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities; or

(B) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000; and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or

(C) where such offer is addressed to investors who acquire Securities for a total consideration of at least Euros 50,000 (or its equivalent) per investor, for each separate offer,

provided that no such offer of the Securities shall require Fortis Hybrid Financing or any Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Securities to the public" in relation to any Securities in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Securities to be offered so as to enable an investor to decide to purchase or subscribe the Securities as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

Hong Kong

Each Manager has represented and agreed that:

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Securities other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Securities, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Securities which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

This Prospectus does not constitute an offer or invitation to the public in Hong Kong to acquire the Securities and the section titled "Terms and Conditions of the Public Offer" in this Prospectus is not applicable to any Investor from or in Hong Kong.

A subscription for the Securities is not invited from any person in Hong Kong other than a person whom a copy of this Prospectus has been issued and if made, will not be accepted. No person to whom a copy of this Prospectus is issued may issue, circulate or distribute this Prospectus in Hong Kong, or make, give or show a copy of this Prospectus to any other person.

WARNING — The contents of this Prospectus have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this Prospectus, you should obtain independent professional advice.

Singapore

Each Manager has acknowledged and agreed that this Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Manager has represented and agreed that it has not offered or sold any Securities or caused the Securities to be made the subject of an invitation for subscription or purchase nor will it offer or sell the Securities or cause the Securities to be made the subject of an invitation for subscription or purchase, nor has it circulated or distributed nor will it circulate or distribute this Prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Securities, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"), (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1 A), and in accordance with the conditions, specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Securities are subscribed or purchased under Section 275 by a relevant person which is a corporation (which corporation is not an accredited investor as defined in Section 4A of the SFA) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor, Section 276(3) provides that shares, debentures and units of shares and debentures of such corporation shall not be transferred within 6 months after the corporation has acquired such Securities except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person (as defined in Section 275 (2)); or pursuant to an offer referred to in Section 275 (1A); (2) where no consideration is given for the transfer; or (3) by operation of law.

Where the Securities are subscribed or purchased under Section 275 by a relevant person which is a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, then Section 276(4) provides that the beneficiaries' rights and interest in that trust shall not be transferred within 6 months after that trust has acquired such Securities except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person (as defined in Section 275 (2)); or pursuant to an offer that is made on terms that such rights or interest are acquired at a consideration of not less than $200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets; (2) where no consideration is given for the transfer; or (3) by operation of law.

Switzerland

Only the Prospectus published by Fortis Hybrid Financing on or about May 14, 2008, together with the Consolidated Financial Statements of Fortis for the financial year ended December 31, 2007, the Consolidated Financial Statements of Fortis for the Three Months ended March 31, 2008, the Financial Statements of Fortis SA/NV for the financial year ended December 31, 2007, the Financial Statements of Fortis N.V. for the financial year ended December 31, 2007, the Financial Statements of Fortis Hybrid Financing for the financial year ended December 31, 2007, the Indenture, the Support Agreement and the Subordinated Guarantee Agreement (and any, additional and updated corporate and financial information that shall be provided by Fortis Hybrid Financing, Fortis SA/NV and Fortis N.V.) may be used in the context of a public offer in or into Switzerland.

France

Each of the Managers and Fortis Hybrid Financing has agreed that it has only made and will only make an offer in the case of a prospectus having been approved by the CSSF, in the period beginning on the date of notification of such approval to the *Autorité des marchés financiers* (***AMF***), all in accordance with articles L.412-1 and L.621-8 of the French *Code monétaire et financier* and the *Règlement général* of the AMF and ending at the latest on the Issue Date (or such later date as Fortis Hybrid Financing may permit).

The legal notice will be published in the *Bulletin des Annonces Légales Obligatoires* (BALO) dated on or about May 16 2008.

LEGAL MATTERS

Certain matters under United States law relating to the Securities will be passed upon by Davis Polk & Wardwell, U.S. counsel for Fortis Hybrid Financing and Fortis. Certain Luxembourg, Belgian and Dutch law matters will be passed upon by Linklaters LLP, counsel for Fortis and Fortis Hybrid Financing. Freshfields Bruckhaus Deringer, counsel for the Managers, will pass upon certain legal matters relating to the Securities under United States and English law.

INDEPENDENT AUDITORS

The Consolidated Financial Statements of Fortis at December 31, 2007, 2006 and 2005 and for each of the three years in the period ended December 31, 2007 incorporated by reference 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 *Institut des Réviseurs d'Entreprises Instituut der Bedrijfsrevisoren*, independent public accountants for Fortis N.V. and Fortis SA/NV, respectively, as set forth in their report thereon appearing elsewhere herein.

The financial statements of Fortis Hybrid Financing at December 31, 2007 and 2006, and for the financial years ended December 31, 2007 and 2006 incorporated by reference in this Prospectus, have been audited by PricewaterhouseCoopers S.à r.l., a member of the *Institut des Réviseurs d'Entreprises*, independent auditor of Fortis Hybrid Financing.

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 Hybrid Financing, Fortis or the Managers.

GENERAL LISTING INFORMATION

Application has been made to list the Securities on the official list of the Luxembourg Stock Exchange and Euronext Amsterdam and to admit them to trading on the Regulated Market of the Luxembourg Stock Exchange and Euronext. The Securities may not be listed on the official list of the Luxembourg Stock Exchange or Euronext Amsterdam 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 March 31, 2008 and no material adverse change in its prospects since December 31, 2007.

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 Securities are listed on the official list of the Luxembourg Stock Exchange and Euronext Amsterdam and Luxembourg and/or Dutch laws and regulations so require, copies of the articles of incorporation of Fortis Hybrid Financing, the Indenture, the Support Agreement and the Subordinated Guarantee Agreement will be available for inspection at the specified office of the Trustee and the issuing and paying agents in Luxembourg and The Netherlands. The articles of association of Fortis N.V. and Fortis SA/NV are available for inspection at their respective principal executive offices (see § 8 and § 9 below) and on Fortis's website at *www.fortis.com/Governance/articles_of_association.asp*. The documents described under "Incorporation of Certain Documents by Reference" can be obtained from the principal executive offices of each Parent Company (see § 8 and § 9 below), from Fortis's website at *www.fortis.com/Shareholders/annualreports.asp* and from the offices of the paying agent in Luxembourg.

   So long as the Securities are listed on the official list of the Luxembourg Stock Exchange and Euronext Amsterdam and Luxembourg and/or Dutch 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 2007 and all subsequent fiscal years and (4) the audited annual financial statements of Fortis Hybrid Financing will be available during normal business hours on any weekday at the offices of the paying agent in Luxembourg and the Netherlands.

4) We have appointed Fortis Banque Luxembourg as our listing and principal paying agent and common depositary in Luxembourg and Fortis Bank (Nederland) N.V. as our listing and paying agent in The Netherlands. We reserve the right to vary those appointments. So long as the Securities are listed on the official list of the Luxembourg Stock Exchange and The Netherlands we will maintain an issuing and paying agent and listing agent in Luxembourg and The Netherlands, respectively. Any notices with regard to the Securities may be delivered to the specified office of the paying agent in Luxembourg and The Netherlands, for further delivery to us or the Trustee or other paying agents, as the case may be. The paying agents in Luxembourg and The Netherlands will act as intermediary between us and the holders of Securities and is authorized to receive all declarations and notices of the holders of Securities 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 Securities 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) and in the Euronext Daily Official List ("*Officiële Prijscourant*") of Euronext on a business day not later than the latest date prescribed for the giving of such notice and, if the Securities 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 Securities in their entirety) with any such notice deemed to have been given to the holders of such Securities on the seventh day after the day on which such notice was given to the clearing systems and (b) when the Securities are represented by definitive Securities, at the option of Fortis Hybrid Financing, 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 Securities are listed on the official list of the Luxembourg Stock Exchange and Luxembourg laws and regulations so require, all notices to holders will be published on the website of the Luxembourg Stock Exchange (www.bourse.lu). As long as the Securities are listed on Euronext Amsterdam and Dutch laws and regulations so require, all notices to holders will be published in the Euronext Daily Official List ("*Officiële Prijscourant*") of Euronext.

6) The Bank of New York is the Trustee and London paying agent under the Indenture.

7) Fortis Hybrid Financing is a special purpose financing vehicle incorporated in the form of a limited liability company (*société anonyme*) under the laws of Luxembourg on May 24, 2006 and registered with the Luxembourg Register of Commerce and Companies with registration number B-116671. The registered office of Fortis Hybrid Financing is located at 65, boulevard Grande Duchesse Charlotte, L-1331 Luxembourg, Luxembourg and the main telephone number at this location is +352 56 44 95 04. Its corporate seat is at Boulevard Grande Duchesse Charlotte, L-1331 Luxembourg, Luxembourg.

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. Article 4 of the articles of association of Fortis N.V. states the following corporate purpose: (i) the acquisition and transfer of any participating interest in any business carrying out financing, banking, insurance, re-insurance, industrial, commercial or civil, administrative or technical activities; (ii) the purchase, subscription, exchange, assignment and sale of, and all other similar operations relating to, every kind of transferable financial instrument, and, in a general way, all rights on movable and immovable property, as well as all forms of intellectual rights; (iii) performing administrative, commercial and financial management support and assistance on behalf of the businesses and companies in which it has a participating interest; and (iv) carrying out all financial, manufacturing, commercial and civil operations and operations relating to movable and immovable assets, including the acquisition, management, leasing out and disposal of all movable and immovable assets useful to achieve its purpose. Fortis N.V. was incorporated on April 19, 1984 and the latest amendment to its articles of association was on April 29, 2008. 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. Article 4 of the articles of association of Fortis SA/NV states the following corporate purpose: (i) the acquisition and transfer of any participating interest in any business carrying out financing, banking, insurance, re-insurance, industrial, commercial or civil, administrative or technical activities; (ii) the purchase, subscription, exchange, assignment and sale of, and all other similar operations relating to, every kind of transferable financial instrument, and, in a general way, all rights on movable and immovable property, as well as all forms of intellectual rights; (iii) performing administrative, commercial and financial management support and assistance on behalf of the businesses and companies in which it

has a participating interest; and (iv) carrying out all financial, manufacturing, commercial and civil operations and operations relating to movable and immovable assets, including the acquisition, management, leasing out and disposal of all movable and immovable assets useful to achieve its purpose. Fortis SA/NV was incorporated on November 16, 1993 and the latest amendment to its articles of association was on December 27, 2007. 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) 2 565 11 11.

10) The issuance of the Securities was approved by the boards of directors of Fortis SA/NV and Fortis N.V. on May 9, 2008 and by the board of directors of Fortis Hybrid Financing on May 13, 2008.

11) Copies of this Prospectus, the documents incorporated by reference in this Prospectus, the Indenture, the Support Agreement and the Subordinated Guarantee Agreement may be freely obtained at Fortis Banque Luxembourg, 50 Avenue J.F. Kennedy, L-2951, Luxembourg, tel: +352 4242 4599 and at Fortis Bank (Nederland) N.V., Rokin 55, 1012 KK Amsterdam, The Netherlands, tel: +31 20 527 2467 for as long as the Securities are listed on the official list of the Luxembourg Stock Exchange or Euronext Amsterdam, respectively.

12) 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 *Institut des Réviseurs d'Entreprises/Instituut der Bedrijfsrevisoren*. 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 and the individual Financial Statements of Fortis SA/NV and of Fortis N.V. for the fiscal years included in this Prospectus as stated in their audit reports.

13) Fortis Hybrid Financing's financial statements for the periods ended December 31, 2007 and 2006 were audited by PricewaterhouseCoopers S.à r.l., a member of the *Institut des Réviseurs d'Entreprises*, as stated in their audit report.

14) The Securities have been accepted for clearance through Euroclear and Clearstream. The Securities have an ISIN of XS0362491291 and a Common Code of 036249129. The Securities traded on Euronext Amsterdam are eligible for settlement in the systems of Euroclear NIEC.

15) The total expenses related to admission to listing are expected to be approximately EUR 921,000.

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.
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.

FORTIS HYBRID FINANCING UNAUDITED FINANCIAL INFORMATION

INCOME STATEMENT

	Three Months Ended March 31, 2008	Three Months Ended March 31, 2007	Year Ended 2007	May 24 through December 31, 2006
	(EUR millions) (unaudited)		(EUR millions)	
Interest receivable and similar income	0.4	0.1	0.7	0.3
Interest income from fixed assets	10.0	6.4	25.8	7.2
Other operating income	0.2	0.0	0.0	0.3
	10.6	6.5	26.5	7.8
Interest payable and similar charges	(9.9)	(6.3)	(26.5)	(7.2)
Other operating charges	(0.3)	0.0	(0.1)	(0.4)
Amortization issuing premium	(0.4)	(0.2)	(0.8)	(0.2)
	10.6	(6.5)	(25.6)	(7.8)
Net result	0.0	0.0	0.0	(0.0)

BALANCE SHEET

	At March 31, 2008	At December 31, 2007	At December 31, 2006
		(EUR millions)	(unaudited)
ASSETS			
Financial assets	997.3	500.0	500.0
Debtors	25.1	13.8	13.7
Prepayments	16.2	6.4	7.2
Total assets	1,083.6	520.2	520.9
LIABILITIES			
Debenture & other loans	997.3	500	500.0
Other creditors	23.9	13.8	13.7
Deferred income	17.4	6.4	7.1
Total liabilities	1,038.6	520.2	520.9
Share capital (320 shares nominal value EUR 100; fully paid up)	0.0	0.0	0.0
Total share capital and liabilities	1,038.6	520.2	520.9

PRINCIPAL EXECUTIVE OFFICE OF THE ISSUER

Fortis Hybrid Financing
65, boulevard Grande Duchesse Charlotte
L-1331 Luxembourg

PRINCIPAL EXECUTIVE OFFICES OF THE PARENT COMPANIES

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 Luxembourg law:

Linklaters LLP
35 Avenue J.F. Kennedy
L-1855 Luxembourg
Luxembourg

As to Dutch law:

Linklaters LLP
World Trade Centre
Amsterdam
Tower H, 22(nd) 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

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.
Burgemeester Rijnderslaan 10
1185 MC Amstelveen
The Netherlands

As to Fortis:

PricewaterhouseCoopers
Reviseurs d'Entreprises SCCRL
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B-1932 Sint-Stevens-Woluwe
Belgium

KPMG Accountants N.V.
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As to Fortis Hybrid Financing:

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TRUSTEE

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LEGAL ADVISOR TO THE TRUSTEE

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London EC2A 2HA
England

LUXEMBOURG LISTING AGENT AND PRINCIPAL PAYING AGENT

Fortis Banque Luxembourg
50 Avenue J.F. Kennedy
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Luxembourg

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