Fortis Bank Nederland

Annual Review 2008

Lilian ter Doest:
"We aim to achieve sustainable economic growth and development while taking responsibility towards people and the environment."

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Ben Stuifmeel:
"Do you have any questions about banking or insurance? My team of advisors and specialists are eager to help. Let us exceed your expectations."

Definitions

Fortis Bank Nederland (Holding) N.V.

Fortis Bank Nederland (Holding) N.V., depending on the context, refers to Fortis Bank Nederland (Holding) N.V. including its subsidiaries. On 3 October 2008, the Dutch State acquired all ordinary shares in Fortis Bank Nederland (Holding) N.V. from Fortis Bank SA/NV.

Fortis Group

Fortis Group consists of a group of companies headed by Fortis SA/NV and Fortis N.V., the shares of which are listed on Euronext Brussels and Euronext Amsterdam. The scope of Fortis Group changed significantly in October 2008.

Fortis Bank SA/NV

Until 3 October 2008, Fortis Bank Nederland was a subsidiary of Fortis Bank SA/NV, which in turn was part of Fortis Group.

RFS Holdings

In October 2007, Fortis Bank Nederland (Holding) N.V. acquired a 33.8% stake in RFS Holdings B.V., the vehicle that acquired ABN AMRO Holding N.V. On 24 December 2008, Fortis Bank Nederland (Holding) N.V. sold and transferred its shares in RFS Holdings to the Dutch State.

ABN AMRO

ABN AMRO refers to the 33.8% stake in ABN AMRO Holding N.V. acquired by Fortis Bank Nederland (Holding) N.V. on 17 October 2007.

ASR Nederland

ASR Nederland was previously known under the name Fortis Verzekeringen Nederland, which was part of Fortis Group until 3 October 2008. The Dutch State owns all shares in ASR Nederland since 3 October 2008.

Profile and objectives

Fortis Bank Nederland (Holding) N.V. is active in retail banking, private banking and merchant banking, primarily in the Netherlands and selectively abroad. Most of these financial services are provided under the Fortis Bank Nederland brand, while private banking operations are conducted under the MeesPierson label.

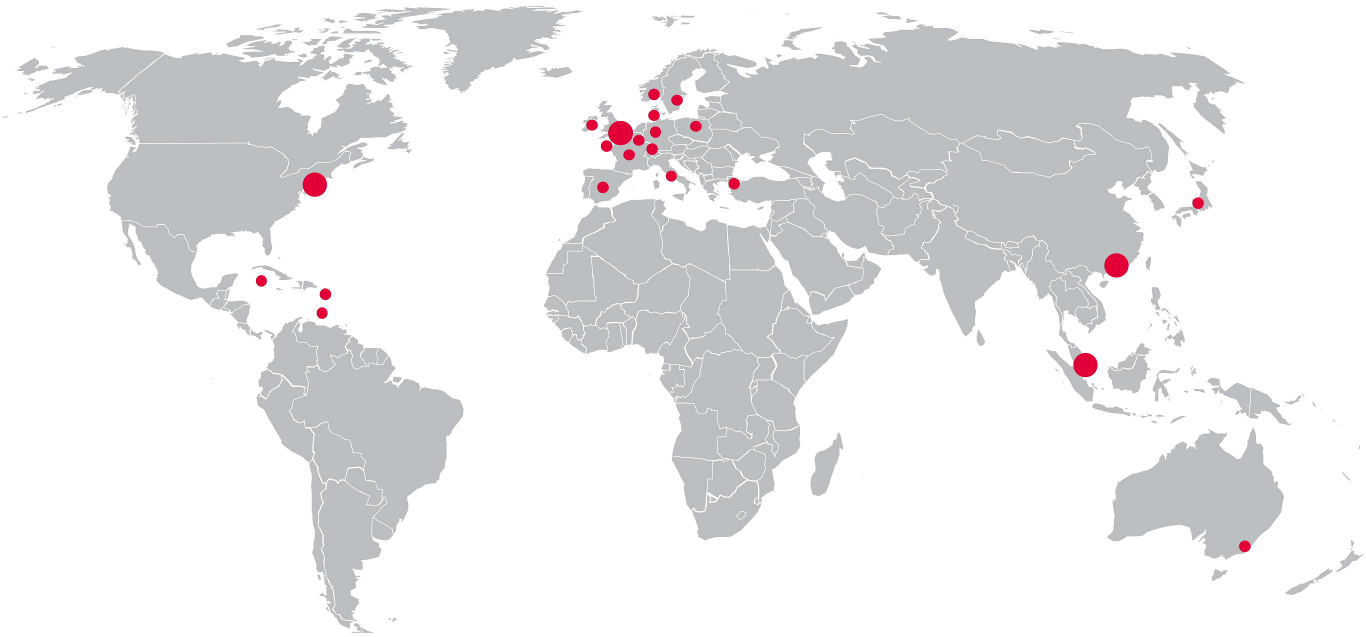
Fortis Bank Nederland (Holding) N.V. also includes a number of Dutch and international units which provide specialist financial services under their own brand names. These include Fortis Commercial Finance (factoring services), International Card Services (card services), ALFAM Holding (consumer credit), Direktbank (mortgages), Fortis Groenbank (sustainable investments and financial services), Fortis Intertrust (trust services) and Fortis Hypotheek Bank (mortgages).

Prior to the acquisition by the Dutch State on 3 October 2008, Fortis Bank Nederland (Holding) N.V. was part of Fortis Group.

On 24 December 2008, Fortis Bank Nederland (Holding) N.V. sold and transferred its stake in RFS Holdings to the Dutch State.

As a consequence of the separation from Fortis Group, the organisation, range and scope of most of the banking operations has changed. Fortis Bank Nederland (Holding) N.V. is committed to strengthening the position it holds in its home market, the Netherlands, and will selectively reinforce or re-establish its presence abroad, as successful international operations that support its clients are fundamental to achieving the bank's ambitions.

The basic principles of sustainable growth and social responsibility are embedded in the bank's operations. Fortis Bank Nederland (Holding) N.V. is deeply rooted in the local community and is committed to the welfare of its customers.

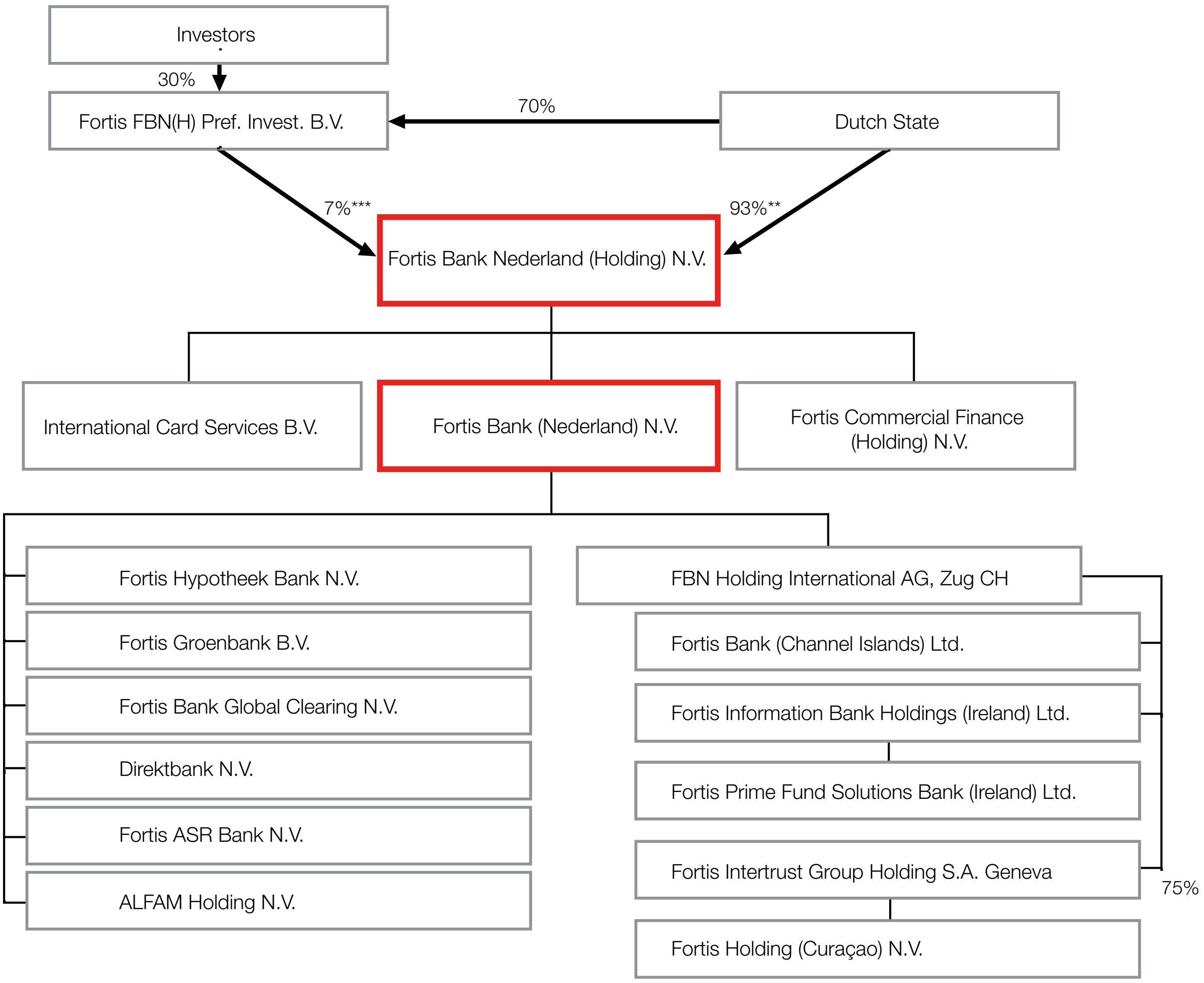


Americas
USA
Netherlands Antilles
Cayman Islands
British Virgin Islands

Europe
United Kingdom
Belgium
Guernsey
Isle of Man
Ireland
Germany
Switzerland
Luxembourg
Norway
France
Poland
Italy
Spain
Denmark
Sweden
Turkey

Asia and other
Singapore
Hong Kong
Japan
Australia

Legal structure of Fortis Bank Nederland (Holding) N.V. and main subsidiaries *



(*) See Annual Financial Statements for list of participations, reported and published according to Article 2:414 of the Dutch Civil Code

(**) Total interest of the Dutch State, including indirect interest, is 97.9%

(***) Comprises non-cumulative Preference Shares A

Key figures

	2008 Excluding exceptionals	2007 Excluding exceptionals	2006	2005	2004
Income statement (in EUR million)					
Total income	3,116	3,553	3,473	3,153	2,238
Total expenses	(2,030)	(1,925)	(1,754)	(1,645)	(1,614)
Net underlying profit (*)	604	1,199	1,157	1,049	416
Reported net profit	(18,486)	1,296	1,157	1,049	416
Balance sheet (in EUR million)					
Due from customers	124,692	130,971	124,038	108,775	97,524
Customer deposits	91,798	69,990	63,856	51,618	47,280
Shareholders' equity	2,944	21,763	5,910	5,613	3,915
Total assets	184,203	272,378	209,749	170,871	169,621
Assets under management	28,452	59,644	35,624	34,448	31,848
Financial ratios					
Return on equity (*)	4.9%	8.9%	20.1%	22.0%	11.2%
Cost/Income ratio (*)	65.1%	54.2%	50.5%	54.1%	72.1%
Risk-weighted commitments (Basel I)	70,932	75,850	66,995	63,323	53,460
Tier 1 ratio (Basel I)	7.4%	11.2%	8.6%	8.5%	7.9%
Total capital ratio after profit appropriation (Basel I)	11.2%	11.2%	10.9%	10.5%	9.5%
Risk-weighted commitments (Basel II)	45,894	48,848			
Tier 1 ratio (Basel II)	11.1%	47.6%			
Total capital ratio after profit appropriation (Basel II)	16.6%	17.2%			
Employees (at year-end)					
FTEs	9,793	10,003	9,949	9,459	9,404
Net profit per FTE (x EUR 1,000)	62	120	116	111	44

(*) Excluding exceptionals

Credit ratings

The turmoil in the financial industry has affected the credit rating of most market players, including Fortis Bank Nederland (Holding) N.V.

	31 December 2008	31 December 2007
Fitch		
Long term rating	A+	AA-
Short term rating	F1+	F1+
Support rating floor	A+	A-
Outlook	Stable	Stable
Moody's		
Long term rating	A1	Aa3
Short term rating	P-1	P-1
Bank Financial Strenght Rating (BFSR)	C-	B-
Outlook	Positive	Stable/On review *
Standard & Poor's		
Long term rating	A	AA-
Short term rating	A-1	A-1+
Outlook	Developing	Stable

* Long-term rating stable outlook, BFSR outlook on review

For full details and the latest information, please refer to rating agencies' reports at www.fortis.nl/debtinvestors.

Report of the Management Board

We hereby present the annual report for the year 2008, including the financial statements duly signed by the members of the Management Board and the Supervisory Board in accordance with Article 15 of the Articles of Association. KPMG Accountants N.V. has audited the financial statements.

Events in 2008

A consortium of Fortis Group, Royal Bank of Scotland and Banco Santander, via RFS Holdings, completed the acquisition of ABN AMRO Holding N.V. in the autumn of 2007.

Preparations for the integration of ABN AMRO and Fortis Group were progressing significantly in 2008, while at the same time it was becoming clear that the financial markets were deteriorating and the credit crunch was radically intensifying. In the summer, Fortis Group announced that in order to improve its capital position, it would need to effect a capital increase, cancel the 2008 interim dividend and make a number of divestments. Slowly but surely, confidence in Fortis Group waned and the group was unable to regain investor confidence.

At the end of September 2008, the Benelux governments initiated a rescue operation, in which each Benelux government acquired a 49% stake in the respective local Fortis Bank entity. Within one week, this measure proved to be insufficient and on 3 October 2008, the Dutch State intervened, acquiring, among other businesses, the Dutch banking entity Fortis Bank Nederland (Holding) N.V. from Fortis Group. On that date, the Dutch State acquired all issued and outstanding ordinary shares and the non-cumulative convertible class B preference shares in Fortis Bank Nederland (Holding) N.V. as well as all priority shares in Fortis FBN(H) Preferred Investments B.V., the entity holding 150,000 non-cumulative class A preference shares.

Since 3 October 2008, Fortis Bank Nederland (Holding) N.V. has continued to operate as an independent and commercial bank, with the Dutch State as a majority shareholder. Meanwhile, Fortis Bank Nederland (Holding) N.V. started separating from Fortis Bank SA/NV, Fortis Group and the insurance operations of ASR Nederland (which was simultaneously acquired with Fortis Bank Nederland (Holding) N.V. by the Dutch State on 3 October 2008). These separation projects were launched immediately after the nationalisation, for which a separate project management organisation was created.

Fortis Bank Nederland (Holding) N.V. was heavily impacted by the alleged fraud at Bernard L. Madoff Investment Securities LLC (BLMIS). Certain funds to which Fortis Bank Nederland (Holding) N.V. provided collateralised lending were indirectly exposed to BLMIS. Even though the facts surrounding the alleged fraud are not clear yet, a credit provision was taken in relation to this alleged fraud amounting to EUR 922 million after tax.

On 21 November 2008, the Dutch State announced its intention to integrate Fortis Bank Nederland (Holding) N.V. with ABN AMRO, a scenario favoured by the Fortis Bank Nederland (Holding) N.V. Management Board from the outset. The integration efforts will be pursued under the leadership of Mr Gerrit Zalm, designated CEO of the combined bank. The Management Board has expressed its commitment to working together with ABN AMRO to create a strong, healthy Dutch financial institution with a selective international footprint and a broad customer base.

On 24 December 2008, Fortis Bank Nederland (Holding) N.V. sold and transferred its stake in RFS Holdings to the Dutch State. With an eye to the future integration of Fortis Bank Nederland (Holding) N.V. and ABN AMRO, the Management Board and the Dutch State believed it would be favourable for the Dutch State to have a direct controlling interest in ABN AMRO. The transfer simplified the governance structure of Fortis Bank Nederland (Holding) N.V. The transfer of RFS Holdings for an amount of EUR 6.5 billion had a positive effect on the solvency of Fortis Bank Nederland (Holding) N.V.

In line with the public debate, Fortis Bank Nederland (Holding) N.V. will review its remuneration policy, including bonus incentives. Against this background, the Management Board of Fortis Bank Nederland (Holding) N.V. has decided to forego its variable remuneration and its discretionary bonus for the year 2008. Also, the senior management of Fortis Bank Nederland (Holding) N.V. will not be entitled to a discretionary bonus re 2008.

Impact financial crisis

Although Fortis Bank Nederland (Holding) N.V. has no investments in US subprime mortgages, Collateralised Debt Obligations or Alt A investments, the financial crisis has negatively impacted the operating results of Fortis Bank Nederland (Holding) N.V., primarily in the second half of 2008. The scarcity of liquidity, the increase of funding costs and the increase in change in provisions for impairments have increased the costs of conducting business. On the other hand, tight cost management lead to stable operating costs - when adjusted for integration and separation - and lower staff expenses. All business lines – Retail Banking, Private Banking and Merchant Banking - have contributed positively to the operating profit.

Management Board

On 1 May 2008, five new members were appointed to the Management Board, chaired by Jan van Rutte (CEO): Jos ter Avest, Frans Demmenie, Jeroen Dijst, Jeanine Helthuis and Frans van der Horst.

Due to their appointments to the Executive Committee of Fortis Bank SA/NV, Fred Bos and Frans van Lanschot stepped down from the Management Board of Fortis Bank Nederland (Holding) N.V. as from 1 May 2008.

Jos ter Avest was appointed to the Management Board on 1 May 2008, in secondment from ABN AMRO Bank N.V. On 6 October 2008, after the nationalisation, Mr Ter Avest resigned from the Management Board and returned to his previous employer, ABN AMRO Bank N.V.

After the events in early October 2008, Frans van Lanschot and Fred Bos re-joined the Management Board as non-statutory members.

Capital

The authorised share capital as at 31 December 2008 amounted to EUR 1,176,856,500 divided into 2,203,711 ordinary shares and 150,000 non-cumulative preference shares type A and 2 non-cumulative preference convertible shares type B. Each of these classes of shares has a nominal value of EUR 500 per share.

There are 1,880,944 ordinary shares and 2 non-cumulative preference convertible shares type B issued, held by the Dutch State. In addition, there are 150,000 non-cumulative preference shares type A issued, held by Fortis FBN(H) Preferred Investments B.V.

Outlook for 2009

Financial institutions have lost the market's confidence. The current recession, market turmoil and negative economic outlook will not make it any easier to regain that confidence. Financial institutions will only be able to do so if they can demonstrate that they have a sound balance sheet combined with a strong financial position and senior management that is fully in control of the situation.

Fortis Bank Nederland (Holding) N.V. faces an even bigger challenge than many other banks, to convince the market that it is a bank that can operate under its business model independently from Fortis Bank SA/NV. A bank that puts its customers first and always finds the right solution, one that serves businesses and individuals alike, at home and abroad, based on a solid financial position.

Looking ahead to 2009, Fortis Bank Nederland (Holding) N.V. expects continued turmoil in the financial markets and in the real economy. Against that background, Fortis Bank Nederland (Holding) N.V. will address the dual challenges of separation from both Fortis Bank SA/NV and ASR Nederland, and integration with ABN AMRO. This promises to be a challenging year, filled with change, working towards laying the foundation of a strong new bank, while taking a thorough look at the business portfolios.

Until the nationalisation, Fortis Bank Nederland (Holding) N.V. was, in accordance with Fortis Group policy, largely financed by intercompany loans from its parent, Fortis Bank SA/NV. Fortis Bank Nederland (Holding) N.V. uses all available possibilities to optimise the liquidity position of the bank. Apart from the possibilities to arrange funding from the retail network and in the professional market, Fortis Bank Nederland (Holding) N.V. intends to launch new and updated CP and EMTN funding programs. On top of that Fortis Bank Nederland (Holding) N.V. intends to participate in the government guaranteed bond program on short notice. Under this program, the Dutch State guarantees bonds issued by Fortis Bank Nederland (Holding) N.V.

Customer focus

We will need to keep our customer focus sharper than ever in 2009 in today's rapidly changing economic and social circumstances. We need to keep on doing what we do best, but now as a state-owned, stand-alone bank: respond swiftly and alertly to our customers' needs by operating efficiently at all times and offering first-class products and services, while maintaining a strong focus on risk management given the challenging market circumstances.

Separation and integration

Most of the separation projects should be completed by year-end 2009. Our ultimate goal is to achieve full independence from Fortis Bank SA/NV on all fronts as soon as possible, while avoiding inconvenience to customers and ensuring seamless continuity in all our activities. We will continue to operate as an independent bank. A bank that has absolute confidence in its future, that has learned important lessons from the collapse of Fortis Group, and that will act in line with changing perceptions and expectations of financial institutions by all of its stakeholders.

International network

The Management Board of Fortis Bank Nederland (Holding) N.V. is working on building a sustainable bank for its customers, shareholder and employees. Part of its international network was lost as a result of the break-up of Fortis Group. A main priority in 2009 will be to selectively rebuild that network and to strengthen our footholds in foreign markets to ensure future sustainable growth.

Financial Markets Supervision Act

The Management Board of Fortis Bank Nederland (Holding) N.V. has declared, in accordance with Section 5:25c of the Financial Markets Supervision Act *(Wet op het financieel toezicht)*, that the Annual Review includes both a fair review of the development and performance of the business of the consolidated group and a description of the principal risks and uncertainties.

Simplification of legal structure

Fortis Bank Nederland (Holding) N.V. intends to simplify its legal structure in 2009. In the current legal structure, Fortis Bank (Nederland) N.V. is a subsidiary of Fortis Bank Nederland (Holding) N.V. The intention is to merge Fortis Bank (Nederland) N.V. (the disappearing entity) with Fortis Bank Nederland (Holding) N.V. (the acquiring entity) in the first half of 2009, subject to the necessary approvals.

Dividend

Fortis Bank Nederland (Holding) N.V.

For the year 2008, the Management Board proposes to the Supervisory Board and the General Meeting of Shareholders not to pay dividends on any of the outstanding classes of shares.

Fortis FBN(H) Preferred Investments B.V.

This also applies to Fortis FBN(H) Preferred Investments B.V. since no net profit is available to make the dividend payments on the preference shares held by the aforesaid legal entity, as required by the Articles of Association of Fortis Bank Nederland (Holding) N.V. and the Term Sheet governing the subject shares.

Fortis Capital Company

On 29 June 1999, Fortis Capital Company Limited (a subsidiary of Fortis Bank Nederland (Holding) N.V.) issued EUR 450 million of non-cumulative non-voting perpetual class A1 preference shares ("A1 Preference Shares"). The A1 Preference Shares are a part of the tier 1 capital of the bank.

In accordance with the terms in the prospectus, Fortis Capital Company Limited opts to not exercise the cash call on 29 June 2009 which would otherwise lead to the repayment of the nominal amount of EUR 450 million.

Fortis Capital Company Limited intends to pay the dividend on the A1 Preference Shares which is payable as of 29 June 2009, subject to the applicable terms and conditions as stated in the prospectus. The Management Board and the Supervisory Board have endorsed the foregoing.

Recognition

It may seem that 2008 was dominated solely by the integration and separation, but business continuity remained at the heart of the bank's day-to-day operations. Our employees kept the business up and running, despite the tremendous workload generated by the series of events.

On behalf of the Management Board, we would like to express our appreciation for the positive and constructive attitude of the Works Council and for their collaboration. We would like to especially express our appreciation to our staff. Their unflagging commitment and hard work in 2008, amid the market turbulence and the events surrounding Fortis, was exemplary.

Management Committee from left to right: Frans van der Horst, Frans Demmenie, Jan van Rutte, Jeanine Helthuis, Fred Bos, Jeroen Dijst, Frans van Lanschot

Amsterdam, 23 March 2009

Management Board

J.C.M. van Rutte	F.M.R. van der Horst	F. Demmenie	J.R. Dijst	J.G.H. Helthuis

Report of the Supervisory Board

The annual report presents the developments and results of Fortis Bank Nederland (Holding) N.V. The year 2008 has been a turbulent and exceptional year with the global credit crises, the planned integration of ABN AMRO, the break-up of the Fortis Group and the nationalisation of Fortis Bank Nederland.

Composition of the Supervisory Board

The developments in 2008 had a large impact on the composition of the Supervisory Board of Fortis Bank Nederland (Holding) N.V.

The Supervisory Board now consists of six members: Hessel Lindenbergh (chairman), Inge Brakman, Michael Enthoven, Erik van de Merwe (vice-chairman), Ada van der Veer-Vergeer and Hélène Vletter-van Dort.

Prior to the acquisition by the Dutch State, the Supervisory Board consisted of eight members: Herman Verwilst, Filip Dierckx, Camille Fohl, Lex Kloosterman (Chairman), each being a member of the Fortis Group Executive Committee, and Joop Feilzer. On 8 January 2008 Inge Brakman, Ada van der Veer-Vergeer and Hélène Vletter-van Dort joined the Supervisory Board as a consequence of the increased advisory rights of the Works Council. Their appointment increased the diversity and external membership of the Supervisory Board.

Herman Verwilst, Filip Dierckx and Camille Fohl stepped down from the Supervisory Board on 3 October 2008, immediately after the acquisition of Fortis Bank Nederland (Holding) N.V. by the Dutch State. Lex Kloosterman resigned from the Supervisory Board on 24 October 2008 and Joop Feilzer on 31 December 2008.

Following the acquisition by the Dutch State Michael Enthoven and Erik van de Merwe (Chairman), were appointed by the Dutch State with effect from 4 December 2008. Hessel Lindenbergh joined the Supervisory Board on 1 January 2009 and chairs the Supervisory Board from 2009 onwards. He is also the designated Chairman of the Supervisory Board of the new bank which will created by the combination of Fortis Bank Nederland (Holding) N.V. and ABN AMRO.

Supervisory Board activities

The developments in 2008 had also a direct impact on the role of the Supervisory Board and the topics that were discussed by the Supervisory Board.

Prior to the acquisition by the Dutch State on 3 October 2008, the focus of the Supervisory Board's deliberations was on issues typical for a bank which forms part of a globally active group, and on subjects relating to the integration of ABN AMRO into Fortis Bank Nederland (Holding) N.V. and the position of both the bank and its holding company within Fortis Group. The agenda further included subjects such as governance as well as the company's strategy, results of the operating companies, internal control systems and the EC remedies.

As a result of the acquisition in October 2008, Fortis Bank Nederland (Holding) N.V. was no longer part of Fortis Group and became an independent and stand-alone bank with the Dutch State as majority shareholder. The focus of the deliberations of the Supervisory Board was mainly directed at setting up and re-organising the internal structure of the bank and demonstrating to the market that the bank is a solid and trustworthy institution. The Supervisory Board focused, next to the development of the business, on issues as developing a new strategy, capitalisation and funding, risk management, remuneration policy, the alleged fraud at Bernard L. Madoff Investment Securities LLC (BLMIS), the sale of our 33.8% stake in RFS Holdings to the Dutch State and the separation from Fortis Group.

The Supervisory Board formally met on nineteen occasions in 2008 and in addition conducted a number of conference calls. This high frequency can largely be attributed to the developments in September followed by the acquisition by the Dutch State in October. Furthermore the Supervisory Board met with representatives of the Ministry of Finance and De Nederlandsche Bank. The Supervisory Board has also kept in close contact with the Works Council and was present at the first meeting of the Works Council following the acquisition. The meetings of the Supervisory Board were regularly attended by the members of the Management Board. The Supervisory Board met twice in the absence of the Management Board.

Board committees

The Supervisory Board has established an Audit Committee, a Remuneration Committee and a Risk and Capital Committee. Only the Audit Committee was in existence during 2008, both the Remuneration Committee and the Risk and Capital Committee were established on 1 January 2009.
The duties of these committees are described in the Governance chapter on page 25 of this Annual Review.

Remuneration of the Supervisory Board

The remuneration of members of the Supervisory Board of Fortis Bank Nederland (Holding) N.V. was EUR 0.2 million (2007: EUR 0.3 million; 2006: EUR 0.4 million).

Annual Report, recommendation and proposed dividend

The Supervisory Board submits to the General Meeting of Shareholders the Annual Review and the Annual Financial Statements of Fortis Bank Nederland (Holding) N.V. for the financial year 2008, as prepared by the Management Board and approved by the Supervisory Board in its meeting of 23 March 2009.

The 2008 financial statements were audited by KPMG Accountants N.V. The Auditors' Report appears on page 188 of the Annual Financial Statements. The financial statements were discussed with the auditors by the Audit Committee. In addition, the Annual Review and the financial statements were a topic of discussion for the full Supervisory Board with the Management Board, in presence of the auditors. The Supervisory Board is of the opinion that the 2008 Annual Review and the 2008 Annual Financial Statements meet all requirements for correctness and transparency and that they form a good basis to account for the supervision provided.
We recommend that the General Meeting of Shareholders adopts the 2008 Annual Review and 2008 Annual Financial Statements as presented and approves the proposed dividend as stated below. We respectfully request that the Shareholders discharge the members of the Management Board of their responsibility for the conduct of business in 2008, and the members of the Supervisory Board for their supervision of management.

The Management Board proposes to the Supervisory Board and the General Meeting of Shareholders, not to pay dividends on any outstanding classes of shares.This also applies to FBN(H) Preferred Investments B.V. since no net profit is available to make the dividend payments on the preference shares held by the aforesaid legal entity, as required by the Articles of Association of Fortis Bank Nederland (Holding) N.V. and the Term Sheet governing the subject shares. We fully support the management's proposal.

Recognition

It has been a turbulent and challenging year which has asked a great deal from everyone. The Supervisory Board wishes to thank the Management Board as well as all employees, for their strong loyalty to the company, their dedication, hard work and professional focus on the business during a period of uncertainty. We appreciated this and we trust to be able to rely on their continuing support and dedication for the challenges we face.

Amsterdam, 23 March 2009

Supervisory Board from left to right:
Erik van de Merwe, Inge Brakman, Hessel Lindenbergh,
Ada van der Veer-Vergeer, Michael Enthoven, Hélène Vletter-van Dort

Financial performance

The figures presented in this report are derived from the consolidated financial statements of Fortis Bank Nederland (Holding) N.V. prepared in accordance with IFRS as adopted by the EU.

Key events in 2008

- Net loss of EUR 18.5 billion, EUR 17.7 billion of which relates to the stake in RFS Holdings B.V. and the sale thereof
- Impairment for Madoff fraud of EUR 922 million net
- Net underlying profit of EUR 604 million

Results

The loss suffered by Fortis Bank Nederland (Holding) N.V. was mainly due to the realised loss of EUR 17.7 billion on the 33.8% stake in RFS Holdings and the sale and transfer thereof to the Dutch State for EUR 6.5 billion on 24 December 2008. The results were also impacted by the credit provision created in relation to the Madoff fraud amounting to EUR 922 million net.

Net underlying profit, excluding the abovementioned exceptional items, fell by EUR 595 million compared with 2007 to EUR 604 million. This was due chiefly to the market turmoil, which has spread from the financial markets to the real economy. The turbulence also led to the break-up of Fortis Group, which impacted the bank's day-to-day business and operations. The effects of both of these developments were felt mainly in the second half of the year. In addition, realised capital gains were EUR 111 million lower in 2008 than in 2007.

Consolidated Income statement

(in EUR million)

	2008	2008 Exceptionals	2008 Excluding exceptionals	2007	2007 Exceptionals	2007 Excluding exceptionals	2006
Income							
Interest income	17,357		17,357	19,169		19,169	13,532
Interest expense	(16,335)	(582)	(15,753)	(17,634)	(106)	(17,528)	(12,075)
Net interest income	1,022	(582)	1,604	1,535	(106)	1,641	1,457
Fee and commission income	1,108		1,108	1,168		1,168	957
Fee and commission expense	(285)		(285)	(242)		(242)	(111)
Net fee and commission income	823		823	926		926	846
Dividend and other investment income	27		27	37		37	20
Share in result of associates and joint ventures	(896)	(905)	9	190	179	11	10
Realised capital gains (losses) on investments	(16,807)	(16,822)	15	126		126	97
Other realised and unrealised gains and losses	431		431	587		587	884
Other income	207		207	225		225	159
Total income	**(15,193)**	**(18,309)**	**3,116**	**3,626**	**73**	**3,553**	**3,473**
Change in impairments	(1,303)	(972)	(331)	(41)		(41)	(70)
Net revenues	**(16,496)**	**(19,281)**	**2,785**	**3,585**	**73**	**3,512**	**3,403**
Expenses							
Staff expenses	(915)		(915)	(955)		(955)	(848)
Other expenses	(1,048)		(1,048)	(910)		(910)	(843)
Depreciation and amortisation of tangible and intangible assets	(67)		(67)	(60)		(60)	(63)
Total expenses	**(2,030)**		**(2,030)**	**(1,925)**		**(1,925)**	**(1,754)**
Profit before taxation	**(18,526)**	**(19,281)**	**755**	**1,660**	**73**	**1,587**	**1,649**
Income tax expense	56	191	(135)	(346)	24	(370)	(472)
Net profit for the period	**(18,470)**	**(19,090)**	**620**	**1,314**	**97**	**1,217**	**1,177**
Net gain on discontinued operations							
Net profit before minority interest	**(18,470)**	**(19,090)**	**620**	**1,314**	**97**	**1,217**	**1,177**
Net profit attributable to minority interests	16		16	18		18	20
Net profit attributable to shareholders	**(18,486)**	**(19,090)**	**604**	**1,296**	**97**	**1,199**	**1,157**

Fortis Bank Nederland (Holding) N.V. was not affected directly by the subprime crisis, as it has no direct investments in subprime mortgage-related products. However, the spin-off effect on the credit markets and the market turmoil resulted in a lack of liquidity and poorly functioning money markets. Consequently, funding was more expensive than anticipated, and the first signs of the economic downturn led to higher changes in impairments.

Net interest income decreased by EUR 513 million to EUR 1,022 million, due mainly to the financing costs related to ABN AMRO (EUR 582 million in 2008 and EUR 106 million in 2007).

The share in the result of associates and joint ventures declined by EUR 1,086 million to a loss of EUR 896 million, largely due to the share in the results of RFS Holdings B.V. A profit of EUR 179 million was reported in 2007 against a loss of EUR 905 million in 2008.*

Realised capital gains on investments were EUR 16.9 billion lower due to the realised capital loss of EUR 16.8 billion on the 33.8% stake in RFS Holdings B.V.

Other realised & unrealised gains and losses were EUR 156 million lower than in 2007, mainly in connection with securities lending-related activities. A one-off capital gain of EUR 33 million was realised on the IPO of VISA International in 2008.

Net commissions and fees amounted to EUR 823 million. This figure for 2007 included structured finance fees related to the acquisition of ABN AMRO.

Other income fell by EUR 18 million. In 2007, a one-off item of EUR 20 million was included for the profit on the sale of the Keizergracht/Herengracht building.

The change in provisions for impairments increased by EUR 1.3 billion due to the impact of the Madoff fraud (EUR 972 million), IAS 38 impairments (EUR 27 million) and Icelandic bank defaults (EUR 24 million). Other deviations can largely be attributed to the economic downturn.

Staff expenses decreased by EUR 40 million to EUR 915 million, mainly due to lower variable staff expenses, including bonus payments.

Fortis Bank Nederland (Holding) N.V. employed 9,793 full-time equivalents at year-end 2008, down from 10,003 in 2007.

Other expenses went up by EUR 138 million, in large part due to ABN AMRO integration costs and separation costs regarding Fortis Bank SA/NV.

Income tax expenses were lower, due mainly to certain one-off items.

The table below shows a summary of the consolidated income statement, including the number of FTEs, of the Retail Banking, Private Banking, Merchant Banking and Other Banking segments.

	2008 Excluding exceptional	2007 Excluding exceptional	2006
Retail Banking			
Income	879	951	751
Cost	(576)	(603)	(586)
Net profit	183	212	77
Cost/Income ratio	66%	63%	78%
FTEs	2,287	2,344	2,439
Private Banking			
Income	225	321	251
Cost	(174)	(166)	(143)
Net profit	45	122	83
Cost/Income ratio	77%	52%	57%
FTEs	554	651	642
Merchant Banking			
Income	1,797	2,082	1,634
Cost	(929)	(962)	(862)
Net profit	496	877	618
Cost/Income ratio	52%	46%	53%
FTEs	4,521	4,495	4,384
Other Banking			
Income	226	213	869
Cost	(362)	(208)	(195)
Net profit	(120)	(12)	379
Cost/Income ratio	160%	98%	22%
FTEs	2,431	2,513	2,484
Total			
Income	3,116	3,553	3,473
Cost	(2,030)	(1,925)	(1,754)
Net profit	604	1,199	1,157
Cost/Income ratio	65%	54%	51%
FTEs	9,793	10,003	9,949

(*) For futher details, please see paragraph 2.3 Annual Financial Statements

Consolidated balance sheet

(in EUR million)

	31 December 2008	31 December 2007	31 December 2006
Assets			
Cash and cash equivalents	9,859	39,269	22,075
Assets held for trading	13,948	23,117	23,393
Due from banks	24,272	38,768	27,071
Due from customers	124,692	130,971	124,038
Investments:			
- Held to maturity	30	35	33
- Available for sale	3,542	3,201	3,795
- Held at fair value through profit or loss	151	123	179
- Investment property	90	79	3
- Associates and joint ventures	388	25,733	906
Total investments	4,201	29,171	4,916
Other receivables	3,029	3,435	2,920
Property, plant and equipment	414	368	385
Goodwill and other intangible assets	182	224	228
Accrued interest and other assets	3,369	6,897	4,525
Deferred tax assets	237	158	198
Total assets	**184,203**	**272,378**	**209,749**
Liabilities			
Liabilities held for trading	23,716	52,466	32,961
Due to banks	21,309	71,311	70,144
Due to customers	91,798	69,990	63,856
Debt certificates	28,251	32,796	25,344
Subordinated liabilities	6,561	11,652	2,402
Other borrowings	257	1,371	903
Provisions	97	79	91
Current tax liabilities	247	730	518
Deferred tax liabilities	74	52	47
Accrued interest and other liabilities	8,874	9,513	7,386
Liabilities related to assets held for sale			
Total liabilities	**181,184**	**249,960**	**203,652**
Shareholders' equity	2,944	21,763	5,910
Minority interests	75	655	187
Total equity	**3,019**	**22,418**	**6,097**
Total liabilities and equity	**184,203**	**272,378**	**209,749**

Fortis Bank Nederland (Holding) N.V. had total assets of EUR 184.2 billion at 31 December 2008. Total assets were lower than in 2007 due to the sale of the stake in RFS Holdings and a slowdown in the securities lending business.

Cash and cash equivalents decreased by EUR 29.4 billion; Due from banks fell by EUR 14.5 billion; Due from customers went down by EUR 6.3 billion. These decreases related mainly to lower volumes of securities lending transactions. Lending to customers increased by 5.6%. Assets held for trading came down by EUR 9.2 billion, also due to lower volumes in securities lending business.

Investments fell from EUR 29.1 billion to EUR 4.2 billion as a result of the sale of the stake in RFS Holdings to the Dutch State.

Accrued interest and other assets were EUR 3.5 billion lower. The decline related to securities lending activities and the separation from Fortis Bank SA/NV.

Liabilities held for trading came down by EUR 28.8 billion related to lower volumes in the securities lending business.

Due to banks went down by EUR 50.0 billion. The decline related to the separation from Fortis Bank SA/NV and securities lending activities.

Due to customers went up by EUR 21.8 billion to EUR 91.8 billion at year-end, owing mainly to an increase in time deposits from the Dutch State to replace intercompany funding from Fortis Bank SA/NV. At 31 December 2008 the amount due to the Dutch State was EUR 40.4 billion.

Debt certificates were EUR 4.5 billion lower, due to redemptions of commercial paper.

Subordinated liabilities decreased by EUR 5.1 billion as a result of the sale of the stake in RFS Holdings to the Dutch State. At 31 December 2008 the amount due to the Dutch State was EUR 3.2 billion.

Shareholders' equity decreased by EUR 18.8 billion due to the net loss resulting from the exceptional loss realised on the sale of the stake in RFS Holdings and the exceptional item related to the Madoff fraud.

Management Board

J.C.M. van Rutte | F.M.R. van der Horst | F. Demmenie | J.R. Dijst | J.G.H. Helthuis

H.J. Stuyling de Lange:
"Fashion is much more than an industry – it's a creative enterprise."

Governance

Fortis Bank Nederland (Holding) N.V. believes good corporate governance is essential in order to carry out the bank's strategy and to ensure transparency towards all its stakeholders. Corporate governance has always been one of the key issues for both the Management Board and Supervisory Board. Both strategy and transparency have received a great deal of their attention in recent years.

Since the acquisition by the Dutch State, the profile of the bank has changed significantly, as the bank is no longer part of Fortis Group. With the change in shareholdership, the Management Board and Supervisory Board have redefined and strengthened their roles and priorities in alignment with the new situation. Fortis Bank Nederland (Holding) N.V. itself has become the ultimate parent company of a domestic bank with a selective international presence. The Management Board and Supervisory Board have also re-confirmed their guiding principle to preserve the objectives and interests of the entire group headed by Fortis Bank Nederland (Holding) N.V. and all of its stakeholders, including clients, employees and shareholders.

The Management Board and the Dutch State, as shareholder, have entered into a dialogue aimed at fine-tuning their relationship and defining the key priorities for the coming period until the envisaged integration between Fortis Bank Nederland (Holding) N.V. and ABN AMRO is effected.

Dutch Corporate Governance Code

Since 2004, listed companies incorporated under Dutch law have been required to declare in their annual reports that they comply with the Dutch Corporate Governance Code ('the Code'), or to explain any instances in which they have deviated from it. Fortis Bank Nederland (Holding) N.V. has no listed shares (or certificates of shares) and is therefore under no statutory obligation to comply with the Code or to report any deviations from the Code. Fortis Bank Nederland (Holding) N.V. does, however, endeavour to comply with prevailing governance standards (best practices) in order to enhance transparency. The Code was updated on 10 December 2008 based on the work of the Corporate Governance Code Monitoring Committee. The amended Code has come into force with effect from the financial year starting on or after 1 January 2009. Accordingly, Fortis Bank Nederland (Holding) N.V. will review its governance structure during the financial year 2009 and explore potential changes in order to ensure compliance with the principles and best practice provisions set out in the updated Code, provided these changes are deemed appropriate with respect to the company's profile and specific features.

Management Board

Composition

A brief description of the primary areas of responsibility of each of the Management Board members as at 31 December 2008 is given below.

Jan van Rutte (1950)
Chairman of the Management Board since October 2006 and interim Chief Financial Officer, responsible for the support functions Finance, Tax, Audit Services, Compliance, Legal, Human Resources and Private Banking

Frans van der Horst (1959)
Member of the Management Board, Chief Operations Officer (Vice Chairman) as from 1 May 2008, responsible for Operations

Jeanine Helthuis (1962)
Member of the Management Board, General Manager Retail Banking as from 1 May 2008, responsible for Retail Banking, Corporate Communications and Corporate Social Responsibility

Jeroen Dijst (1971)
Member of the Management Board, Chief Risk Officer as from 1 May 2008, responsible for Risk

Frans Demmenie (1952)
Member of the Management Board, responsible for Merchant Banking as from 1 May 2008

Fred Bos (1961)
Non-statutory director, responsible for Commercial Banking, Private Banking and Trust

Frans van Lanschot (1950)
Non-statutory director, responsible for Corporate and Public Banking, Investment Banking, Energy, Commodities & Transportation, Fortis Commercial Finance and Transaction Banking & Trade Services

Legal governance

Fortis Bank Nederland (Holding) N.V. qualifies as a statutory two-tier company under Dutch law *(structuurvennootschap)*, pursuant to which the company has a two-tier board system with a clear division of responsibilities between the two governing bodies:

- the Management Board is responsible for managing the banking activities
- the Supervisory Board is formally responsible for supervising the activities of the Management Board (and, accordingly, for supervising the overall activities of the bank)

Fortis Bank (Nederland) N.V., which is exempt from the provisions of the statutory two-tier regime as it is a company dependent on its parent (which itself is a statutory two-tier company), has the same two-tier board system. In this annual report of Fortis Bank Nederland (Holding) N.V., the contribution of its subsidiary Fortis Bank (Nederland) N.V. is consolidated.

The Management Board and the Supervisory Board of Fortis Bank Nederland (Holding) N.V. and Fortis Bank (Nederland) N.V. have the same constitution, and the board meetings are joint meetings for both entities.

Role, responsibilities and authority of the Management Board

Role

The Management Board acts as the central authority for all matters relating to the banking business of the banking group headed by Fortis Bank Nederland (Holding) N.V. As such, it also oversees and coordinates Fortis Bank Nederland (Holding) N.V.'s various components and decision-making bodies.

The Management Board is authorised to perform any acts necessary or appropriate to achieve the objectives of Fortis Bank Nederland (Holding) N.V., with the exception of such acts which are required by law to be performed by the General Meeting of Shareholders.

In exercising this role, the Management Board must comply with all prevailing legislation and regulations, specifically the legal and regulatory framework applicable to Fortis Bank Nederland (Holding) N.V. and its subsidiaries.

Under Dutch law, and as confirmed in Article 12.1 of the Articles of Association of Fortis Bank Nederland (Holding) N.V., at least two natural persons must direct the daily management of regulated companies (including credit institutions and clearing entities) that have their registered office in the Netherlands. They must conduct their activities based in the Netherlands.

Responsibilities

The Management Board bears collective responsibility for the bank's management, and each of its members is specifically responsible for a certain area, e.g. a business.

The responsibilities of the Management Board as a whole mainly consist of the following, subject to the approval of the Supervisory Board where appropriate, in accordance with the Articles of Association and corporate governance practices:

- managing and representing the company, undertaking all actions necessary in order to realise the company's objectives as set out in the Articles of Association (including daily management)
- defining the Fortis Bank Nederland (Holding) N.V. strategy and defining policies, accounting standards and other standards
- preparing business plans and budgets, including the consolidated budget
- monitoring, detecting and managing the risks associated with the various activities of Fortis Bank Nederland (Holding) N.V.
- monitoring Fortis Bank Nederland (Holding) N.V.'s results and drafting the consolidated financial statements.

Appointment criteria

The personal integrity of the members of the Management Board is an essential part of ensuring integrity within the financial sector. The trustworthiness of nominees is tested by the supervisory authorities, De Nederlandsche Bank (DNB) and the Netherlands Authority for the Financial Markets (AFM). The supervisors jointly assess integrity in a single procedure. The DNB integrity test is part of the appointment procedure for Management Board members. If a person's integrity is not beyond doubt, he or she may not be appointed. The composition of the Management Board is evenly balanced in terms of educational background and specific expertise and experience. There are no set profiles.

Remuneration of Management Board

The remuneration, including pension costs, of the current five members of the Management Board payable by Fortis Bank Nederland (Holding) N.V. was EUR 2.2 million in 2008 (for current and former members in total EUR 3.1 million). Total remuneration of current and former members was EUR 2.3 million in 2007 and EUR 4.6 million in 2006. In 2008, the number of employee stock options Fortis Group granted to the Management Board in April 2008, based on their performance in 2007, was 17,500 (2007: 39,239; 2006: 47,781). The strike price of these employee stock options was EUR 15.06 (2007: EUR 23.96; 2006: EUR 24.68). Fortis Bank Nederland (Holding) N.V. has no stock option program in place.

In line with the public debate, Fortis Bank Nederland (Holding) N.V. will review its remuneration policy, including bonus incentives. Against this background, the Management Board of Fortis Bank Nederland (Holding) N.V. has decided to forego its variable remuneration and its discretionary bonus for the year 2008. Also, the senior management of Fortis Bank Nederland (Holding) N.V. will not be entitled to a discretionary bonus re 2008.

The remuneration of the members of the Management Board is decided by the Supervisory Board based on recommendations made by the Remuneration Committee, in compliance with the Remuneration Policy for members of the Management Board of Fortis Bank Nederland (Holding) N.V. as adopted by the General Meeting of Shareholders and HR policies.

Members of the Management Board receive a remuneration that reflects the executive functions they perform within Fortis Bank Nederland (Holding) N.V., established in accordance with the Remuneration Policy for members of the Management Board of Fortis Bank Nederland (Holding) N.V.

Supervisory Board

Composition

The Supervisory Board of Fortis Bank Nederland (Holding) N.V. consists of six members. A brief biography of each of the Supervisory Board members is given below.

Hessel Lindenbergh chairs the Supervisory Board. He is also the designated Chairman of the Supervisory Board of the new bank created by the combination of Fortis Bank Nederland (Holding) N.V. and ABN AMRO.

The other members of the Supervisory Board are Inge Brakman, Michael Enthoven, Erik van de Merwe (Vice-Chairman), Ada van der Veer-Vergeer and Hélène Vletter-van Dort. All of these members were appointed in 2008.

Hessel Lindenbergh (1943)- After obtaining degrees in physics and economics, he embarked on a varied career in finance. He joined Algemene Bank Nederland in 1972 and transferred to ING in 1983, where he was appointed to the Board of Directors of the bank in 1992 and that of the group in 1995 until 2003. Mr Lindenbergh has a standing invitation to the Transition Team, the committee headed by Mr Gerrit Zalm that is charged with coordinating the integration of Fortis Bank Nederland (Holding) N.V. and ABN AMRO.

Inge Brakman (1961)- After studying child welfare and law, she entered the world of media, joining the Board of Commissioners of the Dutch Media Authority in 1999 and chairing this Board since 2006. She is a member of the Supervisory Board of the University of Amsterdam.

Michael Enthoven (1951)- He holds a law degree from the University of Leiden and has held various positions in the legal and financial world. In 2008, he was appointed by the Ministry of Finance to the Supervisory Boards of ABN AMRO and Fortis Bank Nederland (Holding) N.V. Mr Enthoven is a director of RFS Holdings.

Erik van de Merwe (1950)- After studying monetary economics in Tilburg, he embarked on a career as a banker, holding various positions at several banks, including ABN, and serving on a number of supervisory boards. Mr Van de Merwe was Chairman of the Management Board of Fortis Bank Nederland (Holding) N.V. and member of the Management Board (CFO) of Fortis Bank SA/NV until 2001.

Ada van der Veer-Vergeer (1959)- Her 25-year career in the financial services industry included chairing the board of Staal Bankiers and serving as a member of the Executive Board of Achmea Bank Holding. In recent years, she has acted as an independent boardroom consultant for strategy and governance. Ms Van der Veer-Vergeer is a member of the Supervisory Board of the Netherlands Public Broadcasting and an adviser to the National Register of Directors and Supervisors.

Hélène Vletter-van Dort (1964)- She studied law at the University of Leiden and is Professor of Financial Law at Erasmus University in Rotterdam and the University of Groningen. She is a former judge at the Enterprise Division of the Amsterdam Court of Appeal and a lawyer.

Role, responsibilities and authority of the Supervisory Board

The powers of the Supervisory Board entail supervising the Management Board and the general course of business of the company, rendering advice to the Management Board and performing other duties, if any, as prescribed in the Articles of Association.

To enable the Supervisory Board to fulfil its responsibilities, the Management Board regularly reports to the Supervisory Board. The Supervisory Board may at all times request information or special reports from the Management Board with respect to all aspects of the business. At least once a year, the Management Board submits to the Supervisory Board a written report providing an outline of the strategy, main financial and other risks, and the management and control systems of Fortis Bank Nederland (Holding) N.V. In addition, certain resolutions of the Management Board, or proposals to be made to the general meeting by the Management Board, may only be taken after the approval of the Supervisory Board has been obtained. For example, approval is required for the following subjects:

- the issue and repurchase of company shares
- the reservation of profits and distribution of interim dividend and dividend out of reserves
- a resolution to amend the Articles of Association or a dissolution of the company.

The complete list of decisions subject to approval by the Supervisory Board is stated in Article 12.9 of the Articles of Association of Fortis Bank Nederland (Holding) N.V.

The Supervisory Board may adopt resolutions pursuant to which clearly specified resolutions of the Management Board require its approval. The Supervisory Board has not adopted any such resolutions to date.

The Management Board also adheres to the guidelines set by the Supervisory Board in respect of the general financial, economic, social and personnel policies to be pursued by the Management Board.

The Supervisory Board formally met on nineteen occasions in 2008.

Appointment criteria

The personal integrity of the members of the Supervisory Board is an essential part of ensuring integrity within the financial sector. The trustworthiness of nominees is tested by the supervisory authorities, DNB and AFM. The supervisors jointly assess integrity in a single procedure. The DNB integrity test is part of the appointment procedure for Supervisory Board members.

In conformity with Dutch legal requirements, a Board profile has been made which provides for the following competence criteria applicable to Fortis Bank Nederland (Holding) N.V. Board members, taking into consideration the nature of the enterprise, its activities and the required professionalism and background of the members of its Supervisory Board. The Works Council has a right to recommend a third of the members of the Supervisory Board.

Remuneration of the Supervisory Board

The remuneration of members of the Supervisory Board of Fortis Bank Nederland (Holding) N.V. was EUR 0.2 million (2007: EUR 0.3 million; 2006: EUR 0.4 million).

The remuneration of the members of the Supervisory Board must be approved by the General Meeting of Shareholders.

Board Committees

The Supervisory Board can set up any ad hoc committee it deems useful. The Supervisory Board has established an Audit Committee, a Remuneration Committee and a Risk and Capital Committee. Only the Audit Committee was in existence during 2008, both the Remuneration Committee and the Risk and Capital Committee were established on 1 January, 2009.
The duties of these committees are described below.

Audit Committee

The Audit Committee supports the Supervisory Board in fulfilling its supervision and monitoring duties in the area of internal control in the broadest sense within Fortis Bank Nederland (Holding) N.V. That includes internal control over financial reporting and compliance with legislation and regulations. The Supervisory Board appoints the members of the Audit Committee from the members of the Supervisory Board.

The Audit Committee started with three members: Joop Feilzer (Chairman), Inge Brakman and Ada van der Veer–Vergeer. After Fortis Bank Nederland (Holding) N.V. was nationalised, Joop Feilzer resigned from the Audit Committee (and the Supervisory Board) with effect from 31 December 2008.

The Audit Committee now consists of the following members: Erik van de Merwe (Chairman), Hessel Lindenbergh and Ada van der Veer-Vergeer.

The Audit Committee formally met on six occasions in 2008. The external and internal auditors were present at all Audit Committee meetings.

Remuneration Committee
The Remuneration Committee was established on 1 January 2009. The Supervisory Board appoints the members of the Remuneration Committee from the members of the Supervisory Board. The Remuneration Committee consists of the following members: Hessel Lindenbergh (Chairman), Inge Brakman, Michael Enthoven and Hélène Vletter-Van Dort.

Risk and Capital Committee
The Risk and Capital Committee, established on 1 January 2009, supports the Supervisory Board in fulfilling its supervision and monitoring duties with respect to the risk profile, risk policy, risk appetite and risk tolerance of Fortis Bank Nederland (Holding) N.V.

The Supervisory Board appoints the members of the Risk and Capital Committee from the members of the Supervisory Board. The Risk and Capital Committee consists of the following members: Michael Enthoven (Chairman), Inge Brakman, Erik van de Merwe and Hélène Vletter – van Dort.

Marvin Kreuger:
"MeesPierson offers private wealth management to high net worth individuals, their families and their businesses."

Strategy

Since the acquisition by the Dutch State on 3 October 2008 and the sale and transfer of the 33.8% stake in RFS Holdings, the Management Board has focused on leading and positioning Fortis Bank Nederland (Holding) N.V. as an independent, stand-alone bank. This entails developing a clearly defined strategy for the future and building up relations with the new shareholder, the Dutch State. It also involves stabilising business operations while minimising risk and ensuring continuity of service in the short and long term. The approach to the separation was twofold: first, to stabilise core cross-border bank processes and systems, while identifying all potential gaps in services, systems and processes arising from the separation. And second, to agree with Fortis Bank SA/NV on resolving the gaps and issues at play in the separation execution period, scheduled to be fully completed in the third quarter of 2010. The separation also has important consequences in the areas of risk management, funding and liquidity, which were previously solely provided by Fortis Bank SA/NV. It has therefore been the priority of the Management Board to set up an independent risk management structure and sound risk processes overseeing all risk areas. This should enable integrated risk monitoring and management at Fortis Bank Nederland (Holding) N.V. level, and ensures an optimum risk/return balance in accordance with the bank's revised risk profile.

Capital markets, money markets and credit markets severely changed in 2008. The markets are still under pressure and term funding is scarce. Liquidity is expected to remain a scarce resource in 2009 and possibly beyond. Fortis Bank Nederland (Holding) N.V. has rebalanced its balance sheet and will continue to do so moving forward. The shortage in funding currently supplied by the Dutch State Treasury Agency (and in the past in accordance with Fortis Group policies by Fortis Bank SA/NV) will be reduced by balance sheet management measures supported by the continuation of securitisation efforts.

Fortis Bank Nederland (Holding) N.V. uses all available possibilities to optimise the bank's liquidity position. Apart from the possibilities to arrange funding from the retail network and in the professional market, Fortis Bank Nederland (Holding) N.V. intends to launch new and updated CP and EMTN funding programs. In addition, Fortis Bank Nederland (Holding) N.V. intends to participate in the government guaranteed bond program in the short term. Under this program the Dutch State guarantees bonds issued by Fortis Bank Nederland (Holding) N.V.

Preparing for integration

The preferred scenario of Fortis Bank Nederland (Holding) N.V. was to integrate with ABN AMRO, as the combination would substantially enlarge its client base in retail, private and commercial banking. Moreover, Fortis Bank Nederland (Holding) N.V.'s merchant banking activities fill the gap in ABN AMRO's corporate client segment and in the commercial and corporate product suite.
The Transition Team will propose an integration plan under the supervision of its chairman Mr G. Zalm. The Management Board and senior management of Fortis Bank Nederland (Holding) N.V. will provide the necessary input for these discussions to the Transition Team.

Rebuilding selectively

The Management Board of Fortis Bank Nederland (Holding) N.V. is working on building a sustainable bank for its customers, shareholder and employees. Fortis Bank Nederland (Holding) N.V. is no longer part of a large and international banking group with a global presence and the biggest network in Europe. It is, however, still present in 24 countries and regions and still has leading positions in specific banking activities, which contribute significantly to its stable revenue streams. The new bank will combine the strengths of Fortis Bank Nederland (Holding) N.V. and ABN AMRO, aiming to selectively rebuild certain businesses and the international distribution network in order to ensure future sustainable growth for its clients.

Separation

Introduction

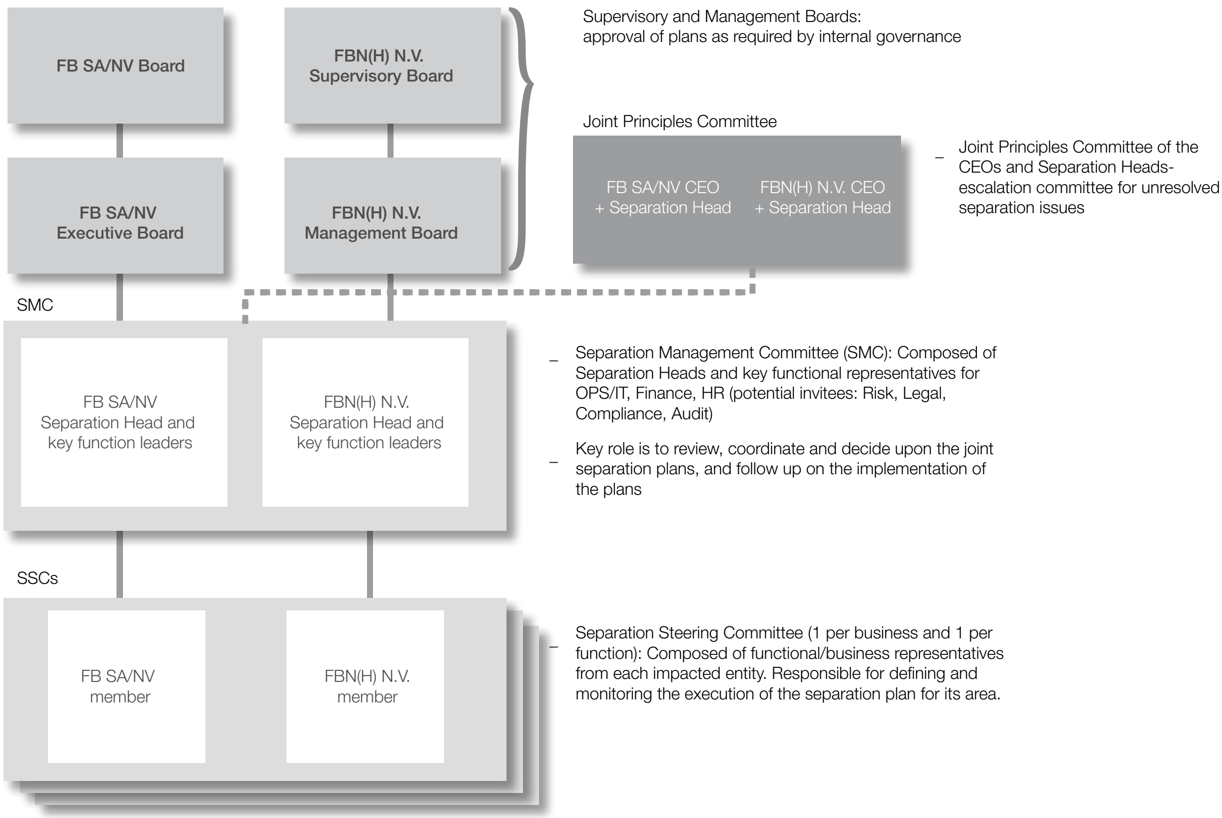
Since the nationalisation, Fortis Bank Nederland (Holding) N.V. has found itself in a unique, unprecedented situation. Over the past few months, many people have had to work on separating Fortis Bank Nederland (Holding) N.V. from Fortis Bank SA/NV and Fortis Group, including its global activities, as well as from ASR Nederland. The Management Board immediately installed a separation governance model to ensure a swift and secure split-up of the banking activities.

Separation from Fortis Bank SA/NV

The agreement between the Dutch State and Fortis Bank SA/NV and its shareholders states that services provided by Fortis Bank SA/NV to Fortis Bank Nederland (Holding) N.V. have to be continued at the same level and terms until the separation is completed. The first priority, therefore, was to establish an overview of all the services that Fortis Bank SA/NV and Fortis Bank Nederland (Holding) N.V. delivered to each other. These were numerous, as both banks used the same IT infrastructure and shared several important IT applications.

Moreover, Fortis Bank Nederland (Holding) N.V. almost completely depended on Fortis Bank SA/NV for risk management, funding and liquidity. Some of these key functions had to be virtually re-created. Business lines were abruptly split up, along with client portfolios and profit and loss accounts.

Fortis Bank Nederland (Holding) N.V. and Fortis Bank SA/NV have established a separation governance model with a mirrored structure (shown below) to ensure maximum alignment between the two banks. Supervision is carried out at the highest level by the Management and Supervisory Boards of both banks. These boards are responsible for formally approving the Separation Plan and Separation Agreement. The Separation Plan was finalised at the end of 2008, with the Separation Agreement to follow. In addition, the Separation Steering Committees of both banks have drafted and approved a Transitional Service Agreement, specifying which services will be delivered by whom until what date and under what conditions.



Another by-product of the separation was the need to create awareness, recognition and a clear understanding of Fortis Bank Nederland (Holding) N.V.'s general profile and credit profile. Operating on a stand-alone basis entails being able to raise funding. After the nationalisation, Fortis Bank Nederland (Holding) N.V. had to be positioned and perceived as a solid, safe bank among retail customers, corporate clients and institutional investors. To this end, the bank organised several road shows for institutional investors around the world. These road shows, which are still ongoing, introduce Fortis Bank Nederland (Holding) N.V. as an independent Dutch bank with a sound asset mix and with no subprime loans or subprime-related assets on its books. The road shows have been well received, as evidenced by the positive responses and volumes of funding provided.

Promoting and clarifying the situation around Fortis Bank Nederland (Holding) N.V.

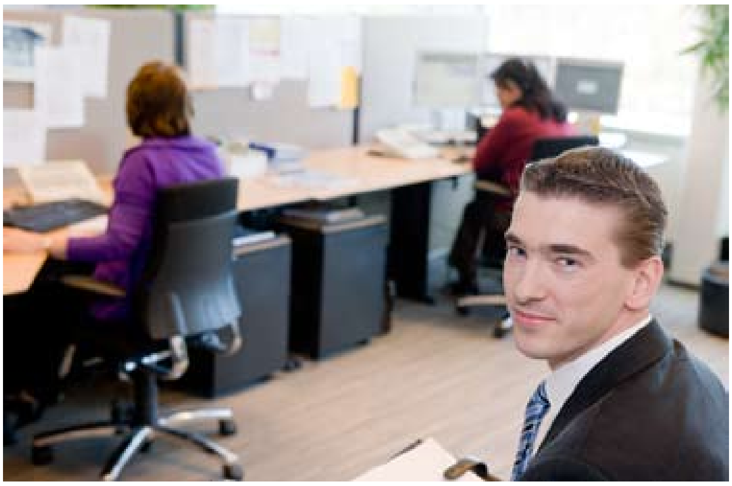
The media has used the name ‘Fortis’ to refer not only to Fortis Group, but also to Fortis Bank SA/NV and Fortis Bank Nederland (Holding) N.V., creating a lot of confusion. Moreover, this situation could cause potential damage to the reputation of Fortis Bank Nederland (Holding) N.V. The staff of Fortis Bank Nederland (Holding) N.V. have dedicated themselves to explaining the complex situation to customers and reassuring them on many occasions. These issues needed to be addressed quickly, and Fortis Bank Nederland (Holding) N.V. has responded in several ways: by writing personal letters to customers, launching a large-scale, national PR campaign featuring CEO Jan van Rutte as the ‘face’ of Fortis Bank Nederland (Holding) N.V., organising press workshops and producing fact sheets. At the same time, Jan van Rutte and other representatives of the bank gave interviews in national dailies and on Dutch television. To visually promote Fortis Bank Nederland (Holding) N.V. as a separate entity from Fortis Group, the Fortis Bank Nederland logo was introduced along with an adjusted house-style on the website and intranet sites. For the same reason Private Banking was re-branded from Fortis MeesPierson to MeesPierson. And, last but not least, Fortis Bank Nederland (Holding) N.V. kept its staff up to speed on developments at all times.

Separation from ASR Nederland

Fortis Bank Nederland (Holding) N.V. and ASR Nederland (ASR) will be separated in accordance with the announcements of the Dutch State. The Separation Agreement between the bank and ASR is currently being drawn up. This process involves mapping out all dependencies in terms of services and subsequently finding practical solutions for severing these links and allowing the two companies to operate entirely independently of each other.

The preparatory phase is currently being finalised. The Separation Agreement is expected to come into effect in April 2009. The majority of the separation issues are expected to be executed within a year. Both Fortis Bank Nederland (Holding) N.V. and ASR are proving to be resourceful, allowing many services to separate while maintaining business continuity for both parties. Important and more complex dependencies have also been identified. For these services, projects are being set up that will highlight the best option for both sides and take the necessary steps for implementation.

As a result of these efforts, Fortis Bank Nederland (Holding) N.V. has been able to continue to operate successfully, now as an independent bank. The bank will continue to pursue the separation activities in the months ahead.



Ronald van Baardewijk:
"These days, more and more people are conducting their banking business online or by telephone – or both! Our customers can take care of all of their banking needs from the comfort of their computer. Alternatively, they can always pick up the phone to do business with us."

Risk

Risk management: an overview

What started out as a crisis in subprime mortgages developed into a financial crisis among banks, which has grown into a worldwide credit crunch with major consequences for the global economy, a restructuring of the financial industry and an uncertain economic outlook. This crisis has exposed the weak spots in risk management at all financial institutions, including the former Fortis Bank. After the nationalisation, Fortis Bank Nederland (Holding) N.V. invested heavily in risk management and rigorously adapted certain areas of its organisation to the new situation. Fortis Bank Nederland (Holding) N.V. has a dynamic, professional risk organisation that occupies a strong, independent position within the bank and is well aware of its responsibility.

As a financial services provider, one of the most critical aspects of Fortis Bank Nederland (Holding) N.V.'s operations is managing and controlling risk. Risk management is, in fact, a key ingredient of the bank's strategy of sustainable profitable growth – and therefore one of the bank's core competences. Fortis Bank Nederland (Holding) N.V. relies upon a strong risk management framework to ensure that it achieves an appropriate balance between risk and return and to secure and preserve the trust and confidence of customers, shareholders, regulators, rating agencies and other stakeholders. The risk management framework resides at all levels within Fortis Bank Nederland (Holding) N.V.

The risk management organisation is designed to enable the bank to pursue its risk strategy and to ensure:

- clear responsibility and accountability
- independence of the risk management functions
- transparent and coherent risk-related decision-making, covering all aspects of the bank's risk taxonomy.

Risk organisation

The risk organisation comprises the different risk functions of the Dutch business that were part of the Fortis Group risk organisation. Since 2006 Fortis Bank SA/NV (including Fortis Bank Nederland (Holding) N.V.) has reported and managed its minimum capital requirements under the Basel II Advanced Internal Ratings Based Approach (AIRBA) for credit risk and the Advanced Measurement Approach (AMA) for operational risk. Fortis Bank Nederland (Holding) N.V. has the infrastructure, models and expertise to continue along this road.

In essence, banks are risk transformation businesses. Banks convert incoming risks of financial resources based on size, place, currency or term into a new, desired risk output. Risk management at Fortis Bank Nederland (Holding) N.V. is therefore not an enabling function, but a core competence. None of the risk functions at the businesses works exclusively for its respective business; moreover, all risk managers within one risk community report to the Chief Risk Officer (CRO). The CRO is a member of the Management Board.

The risk organisation encompasses all risk functions at the bank, i.e. not only credit risk, operational risk and market risk. The departments responsible for balance sheet management (Asset & Liability Management, Liquidity Risk Management, Securitisations, and Capital Management) have been merged into a single unit that also reports directly to the CRO. This reflects the conviction that balance sheet management is an integral part of risk management. Fortis Bank Nederland (Holding) N.V. believes that the controlled and sustainable growth, size and composition of its balance sheet should go hand-in-hand with independent asset and liability management (without profit motive), which in turn takes into account capital and liquidity under various scenarios. Risks may only be taken and controlled within the frameworks created by legislation and regulations, balance sheet potential and the access to money and capital markets.

Following 3 October 2008, Fortis Bank Nederland (Holding) N.V. has set up a Group Treasury department, which is responsible for managing the bank's cash position. Group Treasury reports to both the CRO and the CFO, underscoring this function's importance and independence from the Financial Markets environment and reflecting its role as 'the bank's cashier', whereby securing a sound cash position is a top priority.

The following guiding principles apply to the risk organisation:

- The Risk department manages rather than avoids risks.
- The Risk department takes a holistic approach to all risks.
- Three 'lines of defence' are key to the structuring and operation of risk management, embodied by:

1. the commercial functions
2. the Risk department
3. Internal Audit

As said, Risk management is a core competence of the bank. This entails identifying risks and making them manageable and controllable. The risk organisation plays a key role in this process, managing risks not only by risk type, but also in terms of the interaction between the different risk types. The Credit Risk and Market Risk departments, for example, have been joined to form a single Credit & Market Risk department. As these risks are often intertwined for departments that focus on the financial markets, an integrated approach offers greater security.
In other areas, too, the bank has opted for a holistic approach to risk management, optimising knowledge sharing, cooperation and the risk/return ratio.

The risk organisation is composed of a risk committee at Supervisory Board level, executive risk committees and one central risk department.

Main inherent risks

The main inherent risks faced by Fortis Bank Nederland (Holding) N.V. can be broken down into the following categories.

Operational risk is the risk of loss resulting from inadequate or failed internal processes or systems, human error, external events or changes in the competitive environment that damage the franchise or operating economics of a business. In 2008, Fortis Bank Nederland (Holding) N.V. experienced operational losses in the areas of securities lending and borrowing, in the Markets back-office environment, and due to an increasing number of skimming incidents at Retail Banking.

Risk management organisation

Supervisory Board	Management Board	Business and country level
Risk & Capital Committee Supports the Supervisory Board in understanding the risks of Fortis Bank Nederland (Holding) N.V., in overseeing that these risks are appropriately managed and in ensuring the capital adequacy. **Audit Committee** Reviews the quality and effectiveness of procedures and structures, accounting valuation, capital assessment procedures, and the internal control system.	**Management Board** This is the highest-level risk committee. The Management Board meets daily, with risk management a fixed item on the agenda. Sets policy, rules and limits, and ensures implementation; takes steps to report, monitor, control and manage risks. **Central Risk Committees** Mandated by the Management Board; authorised to oversee the main risks, within the framework set by the Management Board. **Risk** Advises the Management Board on and implements policy, regulations and limits; ensures risk reporting, monitoring, control and management.	Each business manages its risks within the limits, policies and guidelines set by regulators and by Risk.

Credit risk is the risk that a borrower or counterparty will no longer be able to repay their debt. Credit risk policies and management are implemented through dedicated credit channels that report to the Chief Risk Officer.

Market risk refers to the potential loss resulting from unfavourable market movements, which can arise from trading or holding positions in financial instruments. Fortis Bank Nederland (Holding) N.V. breaks down market risk into two categories, depending on the duration of the instruments covered: ALM risk and trading risk. *ALM risk* arises through the impact of changes in foreign exchange rates, yield curve shifts, spreads, real estate prices and equity prices on the value of net assets. Value at Risk (VaR) is one of the quantitative measures applied, which calculates the maximum potential structural loss for Fortis Bank Nederland (Holding) N.V. on a fair value basis.

Trading risk arises in the trading portfolio due to changes in the market price of positions held in capital market instruments, including commodity securities.

Liquidity risk is the risk that Fortis Bank Nederland (Holding) N.V., though solvent, either does not have sufficient financial resources available to meet its obligations when they fall due, or can secure or sell its assets only at excessive cost.

Basel II framework - new solvency regulations

Fortis Bank Nederland (Holding) N.V. has been operating under the new solvency regime known as Basel II since 1 January 2008. The Basel II framework is based on three pillars.

Pillar 1

Pillar 1 – minimum capital requirements: includes guidance on the calculation of capital requirements for credit risk, market risk and operational risk. There are different approaches available, from basic to advanced.

Fortis Bank Nederland (Holding) N.V. implements the most advanced approaches to calculate its capital requirements: Internal Rating Based – Advanced (A-IRB) for the calculation of Credit Risk, Advanced Measurement Approach (AMA) for the calculation of its Operational Risk requirements and Value at Risk (VaR) for Market Risk.

Credit risk

Fortis Bank Nederland (Holding) N.V. applies the Advanced Internal Rating Based Approach to at least 85% of its credit portfolio. It applies the standardised approach for the calculation of credit risk when the Advanced IRB Approach cannot be applied because an exemption exists.

Operational Risk

Fortis Bank Nederland (Holding) N.V. applies the Advanced Measurement Approach (AMA) to at least 85% of its credit portfolios, relying on one policy and framework across all business lines consistently implemented throughout the whole group. The capital requirement is calculated centrally, taking into account diversification effects.

Fortis Bank Nederland (Holding) N.V. aims to cover all material legal entities in AMA. As for credit risk, there are exemptions.

Market Risk

Fortis Bank Nederland (Holding) N.V. will continue to use the Value at Risk (VaR) approach to calculate capital requirements for market risk, as it did before the implementation of Basel II.

Pillar 2

Pillar 2 – Internal process for assessing overall capital adequacy: focuses on Fortis Bank Nederland (Holding) N.V.'s internal methods to assess capital adequacy by relating risk to capital.

The implementation of Pillar 2 at Fortis Bank Nederland (Holding) N.V. encompasses the four Basel II principles as referred to in DNB regulation on Pillar 2. Principle 1 is aimed at banks, while the other principles are intended for supervisors. The need for Fortis Bank Nederland (Holding) N.V. to have in place an internal capital adequacy assessment process (ICAAP) is a direct consequence of the first principle. Pillar 2 encompasses all the risks Fortis Bank Nederland (Holding) N.V. runs including but not limited to credit risk, market risk, operational risk, interest rate risk in the banking book, concentration risk and legal risk. All risks are included in the Fortis Bank Nederland (Holding) N.V. risk taxonomy.

Fortis Bank Nederland (Holding) N.V. operates within its Risk Tolerance Statement which sets thresholds within which Fortis Bank Nederland (Holding) N.V. tolerates adverse events affecting its earnings, capital base and value generation. As such, the framework ensures that key objectives can be met with a reasonable degree of confidence and that the company's value is protected against excessive volatility. It also ensures that its desired risk profile is clearly defined, communicated and understood by all stakeholders.

Pillar 3

Pillar 3 – Market disclosures: Fortis Bank Nederland (Holding) N.V. will implement the requirements issued in the Capital Requirements Directives on Pillar 3 by publishing the Pillar 3 disclosure for 2008 on its website (www.fortis.nl) in the second quarter of 2009.

Pillar 3 disclosure includes information on the implementation of Basel II at Fortis Bank Nederland (Holding) N.V. and on the effect of the new regulation on the level of capital and of the capital requirements. It contains a detailed overview of Fortis Bank Nederland (Holding) N.V.'s capital level and a set of detailed reports to highlight the distribution of capital requirements by a number of key factors.

Specifically, the Pillar 3 disclosure contains two sets of information: a qualitative and a quantitative part.
The qualitative part includes information on, among other things, the risk management strategy, capital structure and capital management framework. The quantitative part includes figures on capital structure, capital requirements, solvency ratio, credit risk breakdown, market risk, and past due exposure by geography.

Key developments in 2008

The banking landscape changed dramatically in 2008. Fortis Group was one of the first European banks to run into trouble, putting Fortis Bank Nederland (Holding) N.V. in the eye of the storm and forcing it to adapt to the new situation at an early stage.

Fortis Bank Nederland (Holding) N.V. was acquired by the Dutch State at a time when the impact of the credit crunch had not yet been fully felt in the financial sector. The intervention of the Dutch government and the new ownership structure has equipped Fortis Bank Nederland (Holding) N.V. to navigate its way through the storm. Individuals and businesses have retained confidence in the bank, allowing it to focus on restoring the health of its balance sheet. A great deal of effort has gone into reducing the concentration risks in the loan portfolio that arose from the separation. In other areas, too, initiatives have been developed to raise new and additional cash from various sources.
The separation from Fortis Group, Fortis Bank SA/NV and ASR Nederland had a major impact on the risk organisation. Fortis Bank Nederland (Holding) N.V. has extensive know-how and expertise and is able to operate fully independently. The opportunities presented by the separation were used to introduce some important structural changes, and the Risk Management staff has been expanded in order to cope with the stand-alone responsibility for risk management.

Fortis Bank Nederland (Holding) N.V. has no investments in structured products such as subprime, Alt A or CDO loans and was therefore not affected by any writedowns on these products. The downward credit cycle was clearly visible in the addition to the provisions for impairments, which amounted to EUR 1,303 million in 2008, including the Madoff fraud for EUR 972 million, compared with EUR 41 million a year earlier. The credit loss ratio – as a percentage of average risk-weighted commitments from loans – was 36 basis points.

Until the nationalisation, Fortis Bank Nederland (Holding) N.V. was, in accordance with Fortis Group policy, largely financed by intercompany loans from its parent, Fortis Bank SA/NV. The Dutch State Treasury Agency refinanced these intercompany loans by immediately making available EUR 34 billion to repay the short-term debt to the former parent. In order to repay this sum as quickly as possible, Fortis Bank Nederland (Holding) N.V. is setting up a broad range of funding possibilities to raise funds from the professional market. Fortis Bank Nederland (Holding) N.V. has an extensive retail network as well as a framework in place to quickly and effectively generate cash or ECB eligible bonds out of the mortgage portfolio by means of securitisation.

The exposure to market risk remained stable in 2008. The exposure has deliberately been kept to a low level, as other risks increased in the course of the year. Within Fortis Group most of the market risk was run at Fortis Bank SA/NV. Fortis Bank Nederland (Holding) N.V. has no intention of setting up its own market risk book.

Focus in 2009

De-risking and de-leveraging are two important consequences of the credit crisis. Fortis Bank Nederland (Holding) N.V. is also lowering its risk profile. The bank already had a moderate risk exposure in some businesses, as its own investment portfolios are limited in size and the interest rate exposure profile is also limited. Since the nationalisation, the risk organisation has devoted special attention to the operational risks arising from the separation from Fortis Bank SA/NV, concentration risks and problem loans in certain parts of the loan portfolio, the size and composition of capital buffers and the organisation of capital requirements. Scarce and expensive funds will be examined objectively and deployed to support the bank's core competences and primary strategic activities.

The Dutch State has decided to integrate Fortis Bank Nederland (Holding) N.V. and ABN AMRO. Fortis Bank Nederland (Holding) N.V. expects the integration to have a positive impact on the bank's sustainability. In terms of risk management, a number of significant synergies are foreseen. The combined balance sheet creates opportunities for risk optimisation, for example in the size and composition of the loan portfolio, resulting in fewer concentration risks and more diversification benefits. The combined bank will present a more clear-cut profile to professional parties on the money and capital markets, allowing it to acquire clients and raise cash more quickly.

Marco Leenes:
"I enjoy advising my commercial clients on their financial options. In todays economic climat, we all need to make carefully considered decisions."

Legal, Compliance, Investigations and Tax

The Legal, Compliance, Investigations, Tax departments and Audit Services advise on and monitor all legal, compliance, fraud, tax and audit aspects of Fortis Bank Nederland (Holding) N.V.'s activities and regularly report on the risks they identify and on outstanding and relevant potential litigation in their respective fields.

The Legal department provides exclusive, proactive and independent legal support and policy-setting services in order to protect Fortis Bank Nederland (Holding) N.V.'s legal interests while supporting the Fortis Bank Nederland (Holding) N.V. businesses and other support functions in their activities.

The mission of Compliance is to assist senior management in identifying, assessing and effectively managing compliance risks. It has developed a risk-based approach that ensures that every reasonable measure is taken to avoid or reduce the occurrence of identified compliance risks and to minimise the damage should one of these risks occur. Compliance provides advice, guidance and education to management and staff, monitors compliance risks, provides risk-based oversight and advises in relationships with regulators.

Investigations is an independent function at Fortis Bank Nederland (Holding) N.V. Its mission is to pursue Fortis Bank Nederland (Holding) N.V.'s zero-tolerance-to-fraud policy, which is based on prevention rather than repression. It helps to ensure that the company, its employees and intermediaries operate in an ethical manner, by investigating fraudulent acts and other undesirable behaviour and by participating in the prevention, detection and monitoring of such acts in close collaboration with Compliance and Audit Services.

The Tax department aims to provide assurance that Fortis Bank Nederland (Holding) N.V. and its employees comply with all applicable tax laws. By monitoring tax compliance, base and risks, the Tax department also contributes to the accuracy of Fortis Bank Nederland (Holding) N.V.'s tax accounts.

Audit Services provides professional and independent assurance to support the achievement of the bank's objectives. Audit Services evaluates the effectiveness of governance, risk management and control processes and recommend solutions for optimizing them. Auditors monitor the effectiveness and efficiency of operations, the reliability of financial and management information, compliance with applicable laws and regulations, the safeguarding of assets and prevention and detection of fraud. Recommendations are presented by Audit Services and followed up to ensure they are implemented correctly and in accordance with agreed upon timelines. Fortis Bank Nederland (Holding) N.V. Audit Services is authorised to audit all aspects of operations and is provided with the necessary resources to carry out its functions effectively. In this way, they serve as an independent and objective assurance provider that reports directly to the CEO and Audit Committee.

Paul Droogleever:
"We ensure the best asset allocation, in line with each clients' investment profile."

Our activities

Fortis Bank Nederland (Holding) N.V. operates worldwide through three client-focused businesses: Retail Banking, Merchant Banking and Private Banking. Each business comprises several business lines. The principal operations of these businesses are summarised on the following pages.

Retail Banking

- ALFAM
- Direktbank
- International Card Services
- Fortis ASR Bank

Merchant Banking

- Corporate & Public Banking
- Energy, Commodities & Transportation
- Investment Banking
- Fortis Commercial Finance
- Global Markets
- Brokerage, Clearing & Custody
- Prime Fund Solutions
- Commercial Banking
- Fortis Intertrust

Private Banking

- Private Banking (MeesPierson)

Retail Banking

(in EUR million)

Retail Banking	2008 Excluding exceptional	2007 Excluding exceptional	2006
Income	879	951	751
Cost	(576)	(603)	(586)
Net profit	183	212	77
Cost/Income ratio	66%	63%	78%
FTEs	2,287	2,344	2,439

Retail Banking is Fortis Bank Nederland (Holding) N.V.'s most visible business, serving individuals, small businesses and self-employed people. Retail Banking's mission is to create a profitable business by delivering first-class service to customers. This mission has been translated into a strategy and service concept designed to exceed customers' expectations. With this as its focus, Retail Banking develops its products, services and service channels.

Retail Banking's truly multi-channel organisation means products and services are offered not only through the branch network, but also online and via Contact Centres (including an Entrepreneurs' Desk and a Securities Desk). The Contact Centres are open 24 hours a day, seven days a week.

Business owners often see an overlap in their personal and professional financial needs. These customers therefore need to be served by both their bank branch and financial planning experts. Customers with an investment portfolio exceeding EUR 100,000 are assigned a personal investment adviser, who is registered with the Dutch Securities Institute and is part of an investment team.

The product and service offering to retail customers is in line with market standards, but includes a number of unique propositions too. It ranges from current accounts, credit cards and consumer lending to home and non-life insurance, wealth creation (saving, investment, pensions) and mortgages. Self-employed people and small businesses are offered additional services, including business accounts, leasing, factoring, loans, commercial mortgages, deposit facilities and financial lease.

Key developments in 2008

As in previous years, one of the main objectives in 2008 was to generate high levels of customer satisfaction by providing extraordinary service. Enhanced customer satisfaction is essential to strengthening the customer-bank relationship, which in turn motivates customers to do more business with the bank and promote its service to family and friends. Retail Banking also engaged in an ongoing dialogue with customers about their service experience and introduced a sophisticated measurement tool to gauge how customers value the bank's services, right down to the level of the individual adviser.

The focus in 2008 was on enhancing the service proposition, in part by optimising systems and introducing 'derived customer identification', which enables prospects to open an account without the intervention of a bank branch. The online banking system now allows consumers and businesses to purchase banking products and place investment orders directly. Last but not least, two successful campaigns were launched late in the year, one aimed at regaining customer confidence and the other targeting savings customers.

Until the end of June, Retail Banking saw a healthy increase in savings and deposits despite the war for savings customers being waged in the Netherlands. After that, when the turmoil around Fortis Group began, the inflow of savings and deposits came to a standstill. The increasing turbulence in the financial markets and specifically around Fortis Group severely depressed outstanding amounts due to customers, with an exit in outstandings rather than in customers.

After the nationalisation on 3 October, Retail Banking started a succesful 'win back' campaign, which helped to increase savings and deposits.

Focus in 2009

The priorities for 2009 are to strengthen ties with customers and to constantly seek out opportunities that will help meet their needs. Customers demand transparent advisory services and communication, while market developments have caused a shift in the need for financial products and services. Banks, meanwhile, are subject to increasingly strict legislation and regulations for how they carry out their advisory role. The distinction between Fortis Bank Nederland (Holding) N.V. and Fortis Group will be important in rebuilding confidence among customers.

Retail Banking is constantly alert to changes in the market, ceaselessly enhancing its organisation, product offering and underlying systems. Fortis Bank Nederland (Holding) N.V. will do everything in its power in the year ahead to ensure that customers are not inconvenienced. It will be business as usual while the bank prepares and implements the separation from Fortis Bank SA/NV and the integration with ABN AMRO.

ALFAM

ALFAM is the name for the combined consumer credit intermediary activities marketed under the labels DEFAM (professional credit brokers), Alpha Credit Nederland (automotive dealers/importers) and Credivance (mortgage intermediaries/agents). Credivance comprises the integrated consumer credit activities of Direktbank Financieringen B.V. and Fortis ASR Financieringen N.V. ALFAM is the second biggest player in the Dutch consumer credit intermediary market. It also serves as the back office for Fortis Bank Nederland (Holding) N.V. Retail Banking's consumer credit activities. As a monoliner, ALFAM has an integrated focus on consumer credit and all processes in the chain. It employs 116 FTEs.

Key developments in 2008

Thanks to its established strategy and sound acceptance policy, ALFAM strengthened its number two position on the consumer credit intermediary market and posted its best financial results ever.

DEFAM focused its activities on growth and client convenience, and on bolstering its number two position in the market. It introduced a successful 'top select' product (low price/low risk) as well as a new front-office system, an extranet for intermediaries and digital commission invoices. Automatic client assessment boosted efficiency and drastically reduced response times. Alpha Credit Nederland attracted a number of major new clients. ALFAM is the supplier of seven of the top ten car dealers/importers. Its production and portfolio grew above average. Credivance, meanwhile, concentrated on acquisition, bringing in three major clients.

Provisions continued to come down in 2008. ALFAM brought the risk of active and non-active consumer credit portfolios (Direktbank and ASR Financieringen) further under control and tightened its acceptance policy in the autumn of 2008 in anticipation of the looming recession.

Focus in 2009

The year ahead is set to be a tense one for consumer credit, with growth expected to slow down due to sluggish consumer spending caused by the credit crisis. An increase in provisions is foreseen, caused in part by rising unemployment. The interest margin, on the other hand, is expected to grow, albeit temporarily.

ALFAM will team up with Fortis Groenbank and other external parties to finance and market a new form of credit tied to energy-saving investments.

Direktbank

Direktbank sells mortgages to independent mortgage advisers, mainly large organisations that provide financial services to consumers. The wide product range enables these mortgage intermediaries to offer their customers first-rate, comprehensive advice. Direktbank's lean, enthusiastic organisation employs 86 FTEs.

Key developments in 2008

Direktbank sells its mortgages under various labels in cooperation with insurers and other partners, while focusing internally on operational excellence. Direktbank has a banking licence and the core competences required of a mortgage company, and operates independently as a wholly-owned subsidiary of Fortis Bank Nederland (Holding) N.V. Consequently, Direktbank was not directly affected by the break-up of the Fortis Group, apart from a change in some reporting lines. Like other parts of Fortis Bank Nederland (Holding) N.V. and other banks in the Netherlands, Direktbank has had to cope with the changing circumstances on the financial markets in terms of funding.

Direktbank has a prudent credit acceptance policy and has always steered clear of subprime and non-conforming mortgages. As a result, Direktbank was able to weather the storm on the financial markets in 2008, turning in healthy financial results.

Focus in 2009

Direktbank will continue to pursue its current policy in the year ahead, adjusting it where necessary to economic developments. In light of the duty of care and the need for transparency towards consumers, the focus will be on sound management of the acceptance procedure. Rigorous monitoring of risks in the mortgage portfolio and effective asset and liability management will also receive undivided attention. Direktbank will continue to support its partner intermediaries with first-class products and relationship management. And, together with other parts of Fortis Bank Nederland (Holding) N.V., Direktbank will put its efforts, enthusiasm and expertise to work to combine the bank's mortgage activities into one Fortis Bank Nederland (Holding) N.V. mortgage group.

International Card Services B.V.

ICS is an issuer of MasterCard and Visa credit cards with offices in the Netherlands, Belgium and Germany. With a total of 2.3 million cards, ICS is the market leader in the Benelux region. It is a wholly-owned subsidiary of Fortis Bank Nederland (Holding) N.V. and operates as a monoliner under its own banking license. Unlike most banks on the European continent, ICS has included revolving credit as a standard feature of all its cards for several years and is now the undisputed market leader in the Dutch market in outstanding consumer credit balances on cards. ICS employs a workforce of 371 FTEs.

Key developments in 2008

ICS has strong ties and long-standing relationships with its co-branding partners. Last year, it extended its alliances with two major co-branding partners by seven and ten years respectively. ICS has a best-in-class customer service (24 x 7) and is known for its sound risk control. The agreement with Fortis Bank SA/NV to take over its entire credit card base has been put on hold. So far only 20% of the cards have been taken over, and the remaining 80% is in dispute.

Focus in 2009

ICS intends to generate growth in 2009 from its co-branded card programs, by activating existing cards and by further promoting the use of credit lines on the cards.

Fortis ASR Bank N.V.

The core business of Fortis ASR Bank is savings and investments on behalf of clients. Its products are distributed via the intermediary channel of ASR Nederland.

Key developments in 2008

The year under review saw the migration to a new IT program. Extensive external staffing was required to support migration and to maintain the standard of service and control. The market turbulence depressed the savings portfolio from EUR 904 million at year-end 2007 to EUR 667 million at year-end 2008, and the investments portfolio declined from EUR 1.0 billion at year-end 2007 to EUR 607 million at year-end 2008.

The front-, mid- and back-office operations are outsourced to ASR Nederland.

Focus in 2009

Fortis ASR Bank is reviewing its strategic options on the best way to address the consequences of the nationalisation of Fortis Bank Nederland (Holding) N.V. and ASR Nederland by the Dutch State.

Patricia Rosenthal: "We do more than just emission trading – but provide added value by offering diversee carbon solutions."

Merchant Banking

(in EUR million)

Merchant Banking	2008 Excluding exceptional	2007 Excluding exceptional	2006
Income	1,797	2,082	1,634
Cost	(929)	(962)	(862)
Net profit	496	877	618
Cost/Income ratio	52%	46%	53%
FTEs	4,521	4,495	4,384

Merchant Banking is the international wholesale bank of Fortis Bank Nederland (Holding) N.V. It provides tailored financial services to corporate and institutional clients based in the Netherlands and in selected areas abroad. Its full range of banking services includes treasury, fixed income, equities, corporate finance, capital markets, transaction banking, asset financing, project finance, trade finance, private equity and structuring. Merchant Banking specialises in fund administration, global custody, securities lending and clearing services.

Corporate & Public Banking

Corporate & Public Banking (CPB) is responsible for the global relationship management of corporate and public sector clients. Corporate Banking is the strategic partner for Dutch corporates with turnover exceeding EUR 250 million in all industries, while Public Banking clients include public institutions such as housing associations, municipalities, provinces and water boards. Health Care, part of Public Banking, is dedicated to hospitals, nursing homes and institutions for the mentally ill and disabled. CPB bankers provide top-ranking financial support and other banking services, helping clients to achieve their ambitions.

Key developments in 2008

Corporate & Public Banking delivered slightly better results in total income in 2008, despite the adverse external environment and the turmoil surrounding Fortis Group and Fortis Bank Nederland (Holding) N.V. Clients continued to place their unwavering trust in the bank throughout the year. During the extremely uncertain months of September and October, CPB saw a setback in the volume of deposits, but by the first quarter of 2009, deposits had exceeded the pre-nationalisation level. Clients clearly appreciate the bank's efforts to stay in close contact with them at all times.

One of the main objectives in 2008 was to enhance cross-selling of Merchant Banking products and skills, especially in Investment Banking, Transaction Banking and Global Markets. Close cooperation across all business lines helped clinch some major deals.

The separation had almost no effect on Public Banking, as this activity is purely domestic. The dismantling of Fortis Group had no impact on Corporate Banking's market share in its target segment, but it did impact the availability of a number of products such as leasing, international cash management and a number of Global Markets products. The separation of ASR Nederland and Fortis Bank Nederland (Holding) N.V. may affect cross-sell opportunities in corporate insurance (e.g. employee benefit schemes). Projects that address the international network and gaps in the product range are underway.

Focus in 2009

In the coming year, CPB will devote greater attention to key Dutch corporate relationships. CPB expects some of its clients to suffer from the economic downturn and to consequently place restructuring high on their agendas. On the other hand, low leveraged, liquid and solid companies will seize 'buy' opportunities.

CPB will continue to focus on credit and operational risk. Due to capital restraints, it will focus its commercial efforts on the reallocation of current capital. CPB's strategy is to create value by increasing cross-sell opportunities. One of the major challenges in 2009 will be to grow deposits.

CPB's goals for 2009 are to maintain high client satisfaction by enhancing its service offering and boosting efficiency and to be the employer of choice for first-class professionals and graduates. At the same time, CPB will structure its operations in the year ahead to benefit fully from the pursued tie-up with ABN AMRO, to the maximum extent permitted by the regulators.

CPB will use Public Banking's sector knowledge to identify opportunities and deliver innovative solutions to its clients and to lead the broader market as well as specific niche areas. CPB will remain as alert as ever to market developments and changes in regulations.

Energy, Commodities & Transportation

ECT serves a wide range of customers and prospects in the energy, commodities and transportation industries. Principle Finance is responsible for all direct investment activities in the ECT sectors. Before the separation from Fortis Group, ECT had operations in 21 offices worldwide and a total of 500 FTEs. It now employs 200 FTEs working out of three branches (Rotterdam, Amsterdam and Oslo).

ECT has emerged from the separation from Fortis Group with its knowledge infrastructure intact, giving it a solid foundation upon which to restore its ECT and Principal Finance business.

Key developments in 2008

Energy

Energy is engaged in offshore oil and gas services, oil and gas, power and utilities, renewables and carbon banking. Fortis Groenbank provides green financing for sustainable projects. Energy reinforced its top three position in oil field services by leading a number of high-profile transactions, especially in Floating Production Storage & Offloading systems. In Power, it maintained its footprint by leading several new power plant financing transactions for key European utilities and developers. After the separation, Energy was unable to retain its top three position in renewable energy worldwide and top five position in oil and gas in North America.

Energy played leading roles for award-winning energy project finance transactions, and picked up the prestigious European Power Deal of the Year and the European Gas Deal of the Year awards from Project Finance International Magazine.

Fortis Groenbank saw a rise in the volume and number of transactions in the financing of renewable energy projects and a substantial increase in sourcing of green deposits for green energy projects in the Netherlands.

Commodities

Commodities finances the physical flow of agri, metals, steel and energy products, from the pre-production stage through to storage and delivery. In the first part of 2008, commodity prices reached unprecedented heights, but then fell sharply in the fourth quarter of the year. Along with high funding costs, this resulted in a significant reduction of Commodities exposure. At the same time, these events opened up interesting opportunities and made higher returns possible.

After the separation, Commodities saw its worldwide position come down from top three to top five. It was, however, selected Best Soft Commodity Finance Bank 2008 according to Trade and Forfaiting Review for the fourth consecutive year.

Transportation

Transportation offers financing solutions to companies active in deep-sea shipping, offshore and oil field services, container transport and the aviation sector. Transportation remained in the top five for shipping in 2008, according to Dealogic league tables, reflecting Fortis Bank Nederland (Holding) N.V.'s profile both as Bookrunner (no. 4) and as Mandated Lead Arranger (no. 5) in a very tight syndicated loans market. Transportation also continued to be recognised for the contribution to shipping finance in 2008, receiving awards from both Marine Money and Jane's Transport.

Principal Finance

Principal Finance acquires assets at attractive valuations, provides subordinated debt or preferred equity with upside sharing and invests selectively in companies and projects of core clients of the bank. Principal Finance sold off a number of investments and realised substantial capital gains in 2008. The bank's joint ventures in the aircraft and container leasing sectors turned in excellent results. Principal Finance concentrated on further diversifying the bank's portfolio in the commodities and energy sectors.

Focus in 2009

One of ECT's priorities in the coming year will be to selectively re-establish its presence on three continents, while building on positions in the ECT industries. ECT will emphasise its commitment to social and environmental responsibility by engaging in environmental finance, providing capital and risk solutions to renewable energy, waste-to-energy and carbon emission reduction projects and companies. Meanwhile, it will seek to secure Fortis Bank Nederland (Holding) N.V.'s global top five position as a shipping bank and will work towards regaining the top three position in commodities.

Investment Banking

Investment Banking provides products and services either to external clients or to other business lines within the bank, such as Corporate Banking, Commercial Banking and ECT. Investment Banking comprises the following departments: Private Equity, Acquisition & Leveraged Finance, Export & Project Finance, Real Estate Finance, Structured Finance, Corporate Finance & Capital Markets and Syndications.

Fortis Private Equity

Fortis Private Equity takes shareholdings of EUR 5-25 million in growing and financially sound mid-sized Dutch companies managed by seasoned entrepreneurs.

Benefiting from the attractive M&A conditions of the past few years, Fortis Private Equity has downsized its portfolio substantially through successful exits. Despite the adverse environment in 2008, it closed four new attractive investments. Fortis Private Equity expects to execute selective divestments and investments in the year ahead and will continue to pursue its strategy of becoming the preferred shareholder for mid-sized Dutch companies.

Acquisition & Leveraged Finance

A&LF provides tailor-made debt solutions to financial sponsors and bank clients for LBOs, MBOs and leveraged corporate takeovers. Active in the European market, A&LF is involved in transactions in the EUR 10-500 million debt range.

In response to the deteriorated economic climate, A&LF shifted its focus in 2008 from intake of new transactions to proactive management of its existing portfolio, concentrating on risk control and bringing margins and fees in line with new market standards. This year it will continue to pursue that approach. Improved margins and fees combined with reduced average opening leverage should bring new opportunities in the M&A market. A&LF will adopt strict intake parameters, and consequently expects a controlled increase in its portfolio.

Export & Project Finance

Export & Project Finance is Fortis Bank Nederland (Holding) N.V.'s centre of expertise for export and project finance solutions (including public private partnership and infrastructure finance).

Fortis Bank Nederland (Holding) N.V. maintained its leading position in the Dutch public private partnership (PPP) market in 2008 and acted as the lead bank in the EUR 600 million project finance for the second Coen Tunnel in Amsterdam, one of the biggest Dutch PPP projects ever. The bank acted as global agent, bookrunner, main mezzanine provider and leading interest swap provider for this project.

Real Estate Finance

Real Estate Finance offers services such as corporate lending and investment and development finance.
The financial crisis caused a slowdown in the Dutch real estate market in 2008, with investment volumes dropping and commercial real estate losing up to a quarter of its value. Meanwhile, the residential market started stagnating in September on consumer caution. The market is expected to stabilise as from mid-2009. Only a few – mainly Dutch – real estate banks will be active this year and financing structures will be considerably less aggressive than in previous years. Complex and large financing deals will take the form of syndicated or club deals and financing spreads will be substantially higher. The top priority in 2009 will be strict monitoring of the existing portfolio.

Structured Finance

Despite the turbulent year, Structured Finance limited the negative impact of the separation from Fortis Group on its investment portfolio and grew net profit significantly. In the year ahead, it will continue to pursue its strategy of supporting Fortis Bank Nederland (Holding) N.V.'s core clients, with an emphasis on ECT and Institutional Banking. Specifically, the focus will be on raising alternative funding for the bank and enhancing financing to shipping and energy companies. It will also do its part to re-establish an international presence for Fortis Bank Nederland (Holding) N.V. in selected countries.

Corporate Finance & Capital Markets

Corporate Finance & Capital Markets (CFCM) focuses on mid-sized transactions valued up to EUR 1 billion. Despite the difficult M&A and capital markets environment in 2008, CFCM managed to close a number of important and high-profile deals. It is the market leader in public offers, advising Grolsch on the offer by SABMiller, Adecco on its bid for DNC, Eriks on its bid for Econosto, and the Rijndijk Groep on Gouda Vuurvast. It also provided advice on a number of complex transactions, including the carve-out of certain assets of KPN (sold to CAP Gemini) and the merger between APX and Endex. To avoid any potential confusion among M&A clients about the advisory role of Fortis Bank Nederland (Holding) N.V., CFCM changed its name to MeesPierson Corporate Finance & Capital Markets in early 2009. Besides focusing on transactions emerging in the current economic climate (restructurings, mergers and divestments), in the year ahead, MeesPierson CFCM will continue to invest in its long-standing client relationships and in its people.

Loan Syndications

Loan Syndications supports the business lines Investment Banking, Corporate Banking and Commercial Banking in originating and structuring syndicated loans, and distributes the loans in primary and secondary markets. It advises internal stakeholders, such as the Credit department, on underwriting matters and provides up-to-the-minute market information. Despite the turbulent markets in 2008, during which the team was built, Loan Syndications managed to successfully close several transactions, including BC-10 FPSO (largest project loan to date in floating production) and SLOE Centrale (long-term project financing for a Dutch power plant). The latter transaction was named Power Deal of the Year by Project Finance International magazine. The main focus in the year ahead will be to support the business lines by identifying and assisting with restructuring and refinancing transactions and closely monitoring secondary market opportunities.

Fortis Commercial Finance

Fortis Commercial Finance (FCF), a wholly-owned subsidiary of Fortis Bank Nederland (Holding) N.V., is an asset-based service provider, combining know-how and skills in commercial finance. FCF employs around 700 FTEs and ranks number four worldwide with strong market leadership positions in the Benelux region. FCF's extensive international network serves customers in 20 countries, including the Netherlands, Belgium, France, Germany, the United Kingdom, Spain, Turkey, Denmark, Poland, Italy, Switzerland, Luxembourg, Sweden and Hong Kong. It engages in partnerships in Austria, Romania, the Czech Republic, Slovakia, Hungary and Portugal. FCF's product scope encompasses accounts receivable finance, inventory finance, multi-local commercial finance, floor planning, reverse factoring, credit cover and outsourcing of credit management services.

Key developments in 2008

FCF offers a multi-local commercial finance program to clients with legal entities in several countries, whereby it applies uniform pricing and management at group level. In 2008, this program continued to develop well as a unique competitive differentiator, representing 20% of business volume. Three FCF group companies ranked among the global top 10 in Factors Chain International's Import Factor of the Year awards: FCF UK took second place, FCF Denmark fifth and FCF Germany tenth. Factors Chain International represents a network of 242 factoring companies in 64 countries that facilitate international trade by providing factoring and related financial services. Partners in the network are leading companies involved in more than half of all global factoring activities.

After the break-up of Fortis Group, Fortis Commercial Finance and Fortis Bank SA/NV signed a Memorandum of Understanding to continue their cooperation in factoring and commercial finance in all countries where both entities are active.

In response to an increase in problem files and overall higher risks as a result of the economic downturn, FCF placed a strong emphasis on service excellence, risk management and cost control.

Focus in 2009

FCF aims to continue devoting unflagging attention to sound risk management and best-in-class service, especially in view of the current economic climate. In parallel, it will focus on maintaining its current footprint in the different countries where it is active, by focusing on its leading position in multi-local commercial finance.

Global Markets

Global Markets (GMK) provides innovative, customised and integrated financial solutions for financing, investment and hedging needs. GMK serves internal customers – Intertrust, Brokerage, Clearing & Custody, Prime Fund Solutions – and external customers, such as asset managers, pension funds and hedge funds, as well as clients of Commercial, Corporate, Private and Retail Banking.

In recent years, GMK has acquired a leading position in securities financing and carbon trading, serving customers on three continents.

Securities Financing provides collateralised access to global capital markets, optimising internal and external asset pools by arbitraging its repo values. In addition, Securities Financing plays a central role in executing Fortis Bank Nederland (Holding) N.V.'s liquidity policy through its collateral and bond financing mandate. Securities Financing has both a Dutch and broad international client base.

GMK's business lines are:

- Securities Financing, which has a top position worldwide and offices in Europe and Asia. Reopening of the US office is planned for the third quarter of 2009.
- Rates & FX Trading, a market maker in FX and interest rate products.
- FX & Rates Sales, which advises both internal and external customers of Fortis Bank Nederland (Holding) N.V. on forex, money market and forex derivatives products
- Energy, Carbon & Commodities, which facilitates trading in carbon, energy and commodity products to all customers of Fortis Bank Nederland (Holding) N.V.
- Equities Brokerage & Research, a full service broker of Benelux all cap shares.
- Financial Institutions Group (FIG), responsible for the relationship and sale of Merchant Banking products to banks and other financial institutions in OECD countries and developing markets.

GMK achieves growth by focusing on specific niche markets and innovation. A new integrated front to finance IT platform will help enhance transparency and internal control.
GMK has around 250 employees. The GMK organisations of Fortis Bank Nederland (Holding) N.V. and ABN AMRO have little overlap, thus providing an opportunity for rapid integration.

Key developments in 2008

Despite the challenging market environment and changes within the company, GMK turned in a solid performance throughout 2008. Widening spreads and a greater demand for customised client flows drove up revenues, with some segments spiking to record levels. GMK has been impacted by the scarcity of money, which is reflected in higher funding costs. The separation from Fortis Bank SA/NV caused GMK to lose parts of its international network and trading activities. After the break-up, GMK installed a new management team and redefined its objectives, supported by a new strategy. It also broadened its service offering by re-introducing a first-rate E-commerce client portal for commoditised forex and rates products.

Focus in 2009

GMK's main priorities for the coming year are to extend the leading positions of the securities financing and carbon businesses into other global market activities and to regain the confidence of the market while maximising client satisfaction. GMK intends to introduce a front-to-finance deal execution platform enabling a high level of transparency and internal control. It will also seek to re-establish its international footprint by gaining access to US and Asian capital markets.

Brokerage, Clearing & Custody

Brokerage, Clearing & Custody (BCC) offers an integrated package of brokerage, clearing and custody services. BCC ranks among the top three clearers in every time zone based on turnover and market share. Its services cover the full value chain, from market access and execution to clearing and settlement on a global basis. In its capacity as General Clearing Member, BCC guarantees clients to all counterparties and performs next-to-real-time risk management. BCC also offers 24/5 global services on a multi-asset class basis and provides collateralised financing and securities borrowing and lending services to professional traders. Its client base includes retail aggregators, private banks and institutions. BCC boasts a unique platform providing central counterparty services to alternative exchanges (Chi-X, BATS and Nasdaq OMX Europe). Based in nine offices across the globe with 507 FTEs, BCC provides global market access and derivatives and securities clearing on more than 60 of the world's leading exchanges.

Urvashi Zutshi:
"We finance companies active in the international trade of grains and edible oils and offer documentary credit solutions. We are also the first port of call for these businesses within the bank."

Key developments in 2008

Highly volatile markets in 2008 - which are expected to continue in 2009 - triggered an increase in volumes across all exchanges. BCC's clients remained loyal, as witnessed by their continuing trust in BCC throughout the turmoil. Put to the test of extremely turbulent global markets, the risk management methodology, processes and staff proved to be robust. BCC's confidence in the future is reflected in its plans to expand its leading market position, which started with the launch of the Voyager Program in October 2008. This program aims to transform BCC from a multi-local, multi-system business unit into a truly global organisation.

To sustain further growth of its European Multilateral Clearing Facility (EMCF), EMCF achieved greater independence from Fortis Bank Nederland (Holding) N.V. and BCC by selling a 22% stake to NasdaqOM. In return, EMCF will become the incumbent central counterparty for the Nordics market, to take effect in 2009.

Focus in 2009

BCC's priorities for 2009 are to re-establish its position in the United States and to become the premier multi-asset clearer and financing bank for on-exchange traders and professional trading groups at all relevant exchanges in the world. The aim is to be the first true global provider for exchange members around the world. By adding OTC products, fixed income and CFDs, BCC will make the transition from being an on-exchange clearer for exchange members to a full-fledged prime brokerage firm. Another goal is to become the biggest retail order flow aggregator on the Euronext markets. Finally, BCC intends to use global clearing and market access capabilities to capture significant market share in the CTA, funds and producer-hedger markets.

Prime Fund Solutions

Since its inception in 1969, Prime Fund Solutions (PFS) has pioneered the provision of fund services and financing to the alternative asset management industry. PFS provides an integrated package of fund administration, transfer agency, cash management, custody, bridge and leverage financing, and prime brokerage, mainly to hedge funds and fund of hedge funds as well as selectively to long-only managers.

Prime Fund Solutions implemented a client-facing operating model in 2008, based on two pillars: Fund Accounting, Banking & Custody and Prime Brokerage & Lending, while Sales & Relationship Management acts as the cohesive element in maintaining overall relationship management. In November, PFS was named the ICFA European Hedge Fund Administrator for 2008. The units in the Americas obtained SAS 70 Type II certification and the PFS entities in Europe and Asia obtained SAS 70 Type 1 certification. PFS also upgraded key systems and launched an improved platform for automated reconciliations.

On Thursday 11 December 2008, Bernard L. Madoff, founder of Bernard L. Madoff Investment Securities LLC was arrested by US federal law enforcement and charged with a single count of securities fraud. The Securities and Exchange Commission (SEC) also charged Mr Madoff with securities fraud. While Fortis Bank Nederland (Holding) N.V. has no direct exposure to Bernard L. Madoff Investment Securities LLC, parts of the bank do have exposures to certain funds it provides collateralised lending to. If, as a result of the alleged fraud, the value of the assets of these funds is nil and the respective clients cannot meet their obligations, Fortis Bank Nederland (Holding) N.V.'s loss could amount to approximately EUR 1 billion. Even though the facts surrounding the alleged fraud are not entirely clear yet, a provision has been taken amounting to EUR 922 million after tax. After two years of preparation, the extensive Prime Brokerage infrastructure went live in February 2008, offering an integrated service of collateralised stock loan cash financing, settlement and custody services, margining and portfolio reporting, and foreign exchange. Prime Brokerage aims to strengthen relationships with hedge fund clients by offering them a single point of contact.

This past year was a difficult one for the financial sector in general. Despite better returns from alternative funds compared with most long-only funds, the hedge fund sector contracted sharply, with redemptions and negative performance causing the hedge fund market to shrink by almost 30%. PFS therefore rightsized its organisation, cut costs by stopping or slowing down several projects, made better use of its existing workforce through greater efficiency and reduced its number of clients. Under these circumstances, PFS continued to be on high alert with respect to its risk management. It took such measures as proactive management of drawings on facilities, further tightening of risk model parameters, discouraging clients from drawing and daily reporting.

In 2009, PFS will continue to manage its business in the context of a severely contracting market and overall market constraints. In practice, that means ongoing cost management through cost reduction programs, revenue enhancement through price increases, client acquisition and the introduction of new products and services, which should strengthen PFS's position as a leading provider of services to hedge funds and funds of hedge funds. Stringent risk management and smart allocation of already reduced risk weighted commitments will continue to be a priority, along with re-establishing PFS's presence in the United States and Luxembourg. PFS will continue to deliver additional services to clients, while extending its product range with mid-office services, private equity and value added services. PFS believes the current market crisis and the pressure put on fund managers by regulators and investors will ultimately create long-term growth opportunities for service providers like PFS.

Commercial Banking

Commercial Banking aspires to be the partner of choice for medium-sized enterprises. It serves its clients – Dutch companies, often internationally active – through an extensive network of 23 Business Centres located in 19 cities throughout

Ed van Dijk:
"With our in-depth knowledge and broad range of financial services we offer added value to our clients in the horticultural business, a very enterprising and innovative field."

the Netherlands. The growing and profitable market has been a core segment of the Fortis Bank Nederland (Holding) N.V. strategy for several years now. Commercial Banking is the market leader in providing financial services to the port and logistics industry and in third-party banking, and it specialises in the fields of trade finance, inland shipping and fashion. Its product offering includes lending, cash management services, factoring, treasury, hedging and other risk management services, trade and documentary services, and corporate finance and advisory services. Dedicated specialists serve clients for their daily banking needs at four regional Business Support departments. As of 31 December 2008, Commercial Banking employed 406 FTEs.

Key developments in 2008

Commercial Banking intensified cross-selling efforts and attracted new business thanks to a combination of operational excellence and customer intimacy. In a market afflicted by turbulence, Commercial Banking kept lending at a high level while implementing 'Smart Growth', a program that enhances the efficient use of risk weighted commitments. As a result, margins on new intake increased in the second half of 2008, while the allocation of Risk Weighted Commitments became increasingly directed towards the existing client base and strategic prospects.

Commercial Banking continued to pursue the Enterprise & Entrepreneur approach, whereby it offers entrepreneurs solutions to their personal and professional banking needs. Jointly developed with Private Banking, this approach helped Commercial Banking to deepen relationships with its mutual clients in 2008. Commercial Banking also invested in upgrading and renewing risk management procedures.

As the turmoil in the financial markets gained momentum, Commercial Banking saw savings and deposits decline in the third quarter of 2008. After the nationalisation of Fortis Bank Nederland (Holding) N.V. in October, savings and deposits rose significantly as clients returned funds to their accounts.

Until the nationalisation, Commercial Banking was part of an extensive international network of 129 Business Centres in Europe. Although its focus shifted in the final quarter to separating the systems, processes and procedures from the international network, Commercial Banking kept client intimacy its number one priority, organising information sessions throughout the country. This was clearly the right approach, given that client attrition at Commercial Banking was negligible. Despite the separation, Commercial Banking still offers sophisticated international solutions to its clients, both in-house and in cooperation with its extensive partner bank network.

Focus in 2009

Against the background of relentlessly volatile financial markets, with the economic downturn tightening its grip on the Dutch economy, 2009 will be dominated by the separation of Fortis Bank Nederland (Holding) N.V. from Fortis Bank SA/NV and the integration with ABN AMRO. Commercial Banking will embark on several initiatives this year to ensure it achieves its top three priorities: being a reliable partner for clients, prospects, intermediaries and other stakeholders; motivating and retaining staff; and optimising the risk/return profile of the portfolio under management. It will place great emphasis on effectively managing its loan portfolio under exceptional economic circumstances. This entails strict monitoring, allocation of risk weighted commitments to strategic clients and prospects, and a proactive dialogue on risk management with clients.

Another priority will be to boost savings and deposits volumes in 2009. To substantially lift intake of savings and deposits, Commercial Banking has enhanced its liabilities management organisation with a view to further strengthening its well-balanced balance sheet. Commercial Banking is committed to maintaining its high standard of service, which is responsible for its low client attrition rate, while managers and staff will continue to place compliance with internal and external regulations at the heart of everything they do.

Fortis Intertrust

Fortis Intertrust is a provider of corporate and private wealth services. It structures assets and capital worldwide for business and regulatory purposes. Fortis Intertrust is headquartered in Geneva and has a staff of approximately 1,000 FTEs based in 19 countries. Its mission is to be the quality leader in the industry and its strategy is to continuously improve and innovate services for the benefit of clients, intermediaries, the rest of the bank and staff. Fortis Intertrust believes it employs the best people in the business and devotes meticulous attention to its processes.

After a busy year in 2007 during which Fortis Intertrust concentrated mainly on its operational processes, it intensified its commercial efforts in 2008 by sharpening its client focus. Its proactive approach involved strengthening relationships with clients while further upgrading their standard of service. These efforts resulted in one of the most prosperous years in Fortis Intertrust's history.

Fortis Intertrust received SAS 70 type I certification in July 2007, and in early 2008 it was the first in the industry to be awarded type II certification for all business processes. The external auditor tested whether the defined processes are compliant with the day-to-day business over a period of six months.

Fortis Intertrust reopened an office in Rotterdam, which operates as a service office and works in close cooperation with the Amsterdam staff and back office. The new office allows Fortis Intertrust to intensify its relationships with intermediaries in the Rotterdam area and to fully support them in their business.

Fortis Intertrust respositioned its corporate and personal management service offering and intensified the marketing of Global Executive Management Solutions. This innovative service connects experienced and independent professionals with a proven track record to companies mainly in the oil and gas, real estate and IT industries.

Leendert Kroon:
"Business Centre Port & Logistics offers specialised services to companies that ship, store, transfer or distribute goods."

Private Banking

(in EUR million)

Private Banking	2008 Excluding exceptional	2007 Excluding exceptional	2006
Income	225	321	251
Cost	(174)	(166)	(143)
Net profit	45	122	83
Cost/Income ratio	77%	52%	57%
FTEs	554	651	642

Private Banking offers integrated asset and liability management solutions to high net worth individuals, their businesses and their advisers. Private Banking establishes long-term relationships with its clients based on an in-depth understanding of their individual needs and goals. The combination of skills allows Private Banking to address specific needs, ranging from wealth preservation and socially responsible investment to capital growth and entrepreneurial needs. Relationship managers draw on the in-house expertise of specialists in structuring wealth, including estate planning, investing, financing and insurance. This integrated service model distinguishes Private Banking in the market and ensures that clients receive the highest standard of service and personal attention.

Key developments in 2008

Deteriorating markets in the wake of the unfolding credit crisis impacted private banks across the globe. This situation was exacerbated in the second half of 2008 by the turmoil surrounding Fortis Group and created uncertainty among clients. The uncertainty around the solvency position of Fortis Group caused some clients to move their assets in the last quarter of 2008.

The development of interest rates caused a shift from savings accounts to lower margin term deposits, while securities transactions decreased due to the market turmoil. Despite the adverse market conditions, Private Banking achieved a modest net inflow, reflecting the successful efforts of its highly committed and experienced staff and confirming clients' loyalty and confidence in the business.

Private Banking further developed its dominant position in the ultra high net worth segment. Meanwhile, close cooperation with Commercial Banking as part of the Enterprise & Entrepreneur drive continued to attract new clients.

As a result of the separation from Fortis Group, a substantial part of the international network was allocated to Fortis Bank SA/NV. At present, Private Banking has operations in the Netherlands, Curacao and Guernsey. International clients are served by the international Private Banking team based in Amsterdam. To underline that Private Banking is no longer part of Fortis Bank SA/NV, the Private Banking business was re-branded back to MeesPierson. This strong, historic brand is highly recognised in the private banking market and valued by clients and staff alike.

Focus in 2009

Private Banking will maintain a strong client focus in the year ahead, responding alertly to the ever-changing needs of the market. The ongoing market turmoil will continue to impact clients' wealth and their needs, calling for a swift response. As a result, asset protection is expected to be in greater demand. Private Banking will therefore continue to focus on its risk management investment tools and absolute return investment solutions. An increase is expected in the demand for international and integrated wealth management services, wealth preservation and sustainable investments. The Private Banking business model, based on a broad service offering, in-depth expertise and an open architecture approach, is well equipped to respond to these needs. A holistic wealth structuring approach is at the heart of Private Banking's service.

Private Banking will continue to expand its service offering in socially responsible investments as well as the Enterprise & Entrepreneur package in close cooperation with other Fortis Bank Nederland (Holding) N.V. businesses, as this segment accounts for the majority of new wealth creation in Europe. Private Banking also intends to selectively rebuild its presence at international private banking locations and will finalise separation from those private banking entities that have been allocated to Fortis Bank SA/NV.

Last but not least, Private Banking expects to start preparing for its tie-up with ABN AMRO Private Clients this year, creating a strong international private bank.

Other Banking

(in EUR million)

Other Banking	2008 Excluding exceptional	2007 Excluding exceptional	2006
Income	226	213	869
Cost	(362)	(208)	(195)
Net profit	(120)	(12)	379
Cost/Income ratio	160%	98%	22%
FTEs	2,431	2,513	2,484

Other Banking consists of the results of Asset & Liability Management including Fortis Hypotheek Bank (ALM), the costs of the Support departments, the costs related to the integration with ABN AMRO and the costs of the separation from Fortis Bank SA/NV, ASR Nederland and Fortis Group. The results of ALM and the Support departments are reallocated to Retail Banking, Merchant Banking and Private Banking. The FTEs of the Support departments and ALM as well as the costs related to the integration and separation remain within Other Banking.

Fortis Hypotheek Bank

Fortis Hypotheek Bank funds mortgages with the ASR label, which are distributed via the intermediary channel of ASR Nederland. Its front-, mid- and back-office operations are outsourced to ASR Nederland. Its mortgage portfolio amounted to EUR 30.8 billion at year-end 2008[1] and consists of three segments: residential mortgages, medical & specialty, and commercial finance. Fortis Hypotheek Bank employs a workforce of 29.

Key developments in 2008

Market share at year-end 2008 amounted to 3.9% of new production in euros and was virtually stable compared with 2007. Gross sales were in line with expectations. The residential mortgage market started stagnating in the third quarter of 2008, a development that will be reflected in the results as from 2009.

There was a global framework agreement in place in 2008 for the outsourcing of operational processes to ASR Nederland. Against the background of the break-up of Fortis Group, the board of directors of Fortis Hypotheek Bank intends to renegotiate this framework agreement.

Focus in 2009

In response to the liquidity crunch, Fortis Hypotheek Bank aims to have a stable mortgage portfolio for 2009. In addition, defaults and credit losses are expected to increase in 2009. Several measures were taken in 2008 with a view to managing the heightened credit risk.

1 This amount includes savings deposits and construction accounts.

Pieter Prins:
"Advice based on reliable expertise with many years of experience in financial services: that, in my opinion, is what we offer our clients."

Corporate Social Responsibility

Fortis Bank Nederland (Holding) N.V.'s ambition is to improve its performance in corporate social responsibility (CSR) and to continue to develop and strengthen this responsibility. Fortis Bank Nederland (Holding) N.V. believes that the only way to do so in a sustainable manner is by embedding the essentials of CSR in the bank's core business and organisational processes. This will continue to be the bank's focus in building a new organisation in the years ahead.

Fortis Bank Nederland (Holding) N.V. focuses on two dimensions of CSR: Sustainable development and Community involvement. Sustainable development means growing the business in a socially and environmentally responsible way, while simultaneously meeting the legitimate interests of the bank's stakeholders. Community involvement means taking an active role and responsibility in helping communities achieve their ambitions. This is done through a combination of philanthropy and volunteer work.

Fortis Bank Nederland (Holding) N.V. devoted a good part of 2008 to integrating ABN AMRO's global sustainability policies. Despite the major changes last year, Fortis Bank Nederland (Holding) N.V.'s beliefs and intentions remain unchanged.

Stakeholder dialogue

Fortis Bank Nederland (Holding) N.V. interacts with a broad range of stakeholders in society, including regulators, governments, industry associations, unions, NGOs and local communities. In the past year, Fortis Bank Nederland (Holding) N.V. structured and intensified its dialogue with NGOs in the Netherlands, including Oxfam Novib, Friends of the Earth Netherlands (Milieudefensie) and BankTrack, and aims to take the next step in strengthening these relationships in 2009. The bank also participated in a study on human rights conducted by UN Global Compact Network Netherlands. Consultation with these parties will be essential to successfully building a new organisation.

Fortis Bank Nederland (Holding) N.V. is a member of the following organisations:

- UNEP FI
- UN Global Compact
- EU Corporate Leaders Group on Climate Change
- Holland Financial Centre (Finance & Sustainability)
- MVO Nederland
- Samenleving & Bedrijf

Fortis Bank Nederland (Holding) N.V. joined various international initiatives in the business world to encourage global politicians to take on the issue of climate change. As a member of the EU Corporate Leaders Group on Climate Change, the chief executive of Fortis Bank Nederland (Holding) N.V. signed the Poznan Communiqué, which calls for a comprehensive, legally binding framework to tackle climate change.

Sponsorship of Carbon Disclosure Project – Dutch Chapter

As part of its efforts to promote disclosure of climate change-related company data, Fortis Bank Nederland (Holding) N.V. sponsored the Dutch chapter of the Carbon Disclosure Project. The bank sent letters to CEOs of AEX and AMX companies encouraging them to participate in the CDP survey, hosted a workshop for these companies to promote the benefits and share best practices in carbon disclosure, and organised an event to launch the global CDP report.

Managing risks

Fortis Bank Nederland (Holding) N.V. continued to implement and monitor its sustainability policies and tools for various sectors, like Agri Commodities (palm oil) and Shipping. The bank redefined its Defence Industry Policy by formulating criteria and a framework, resulting in a list of companies it does not want to do business with. Although developments at Fortis Bank Nederland (Holding) N.V. could slow down the expansion of the sustainability risk framework, the bank will work within the existing environment to further raise awareness of CSR targets among staff.

Socially responsible products and services

Fortis Bank Nederland (Holding) N.V. is proud to offer a range of products and services that address climate change and other societal issues, some of which are described below.

Sustainable investment

Triodos MeesPierson Sustainable Investment Management is a 50-50 joint venture of MeesPierson and Triodos Bank. This partnership offers high-quality, socially responsible asset management services to the clients of both parent companies. Throughout 2008, Triodos MeesPierson started establishing ties with ABN AMRO Private Clients, embarking on a productive relationship with a future partner.

Despite an inflow of new assets from new and existing clients, assets under management at Triodos MeesPierson came down in 2008, due to the adverse market environment. On the whole, the reference portfolios for the various asset classes managed by Triodos MeesPierson turned in a satisfactory performance in 2008.

Fortis Groenbank

Fortis Groenbank acquires green investment capital and provides green loans to companies, institutions, public and semi-public organisations, and individuals. Loans are given exclusively to projects that are based in the Netherlands. In 2008, the bank promoted its sustainable service and green financing and investment services among a wider audience, introducing a green savings account system whereby employee savings are used to finance their employer's renewable energy investments. Eneco was one of the first companies to actively involve its employees in its renewable energy investment plans, and more than 30% of its employees participated. In the year ahead, Groenbank will continue to spread its wings as green financing increases in importance and the integration with ABN AMRO Groenbank B.V. takes shape.

Carbon banking and renewable energy financing

Fortis Bank SA/NV has been a market leader in carbon banking and in renewable energy financing for several years. Since the break-up of Fortis Group in October, Fortis Bank Nederland (Holding) N.V. has been re-establishing these activities. In November, the bank set up a new carbon banking organisation in Amsterdam to provide corporate clients with a range of carbon products and services. Renewable energy financing remains one of the pillars of the strategy and positioning of the energy activities.

Start Green Venture Capital

Start Green Venture Capital invests in entrepreneurs and businesses that want to commercialise innovative and sustainable technologies or products, with a focus on early phase technology that would not qualify for regular financing. Start Green currently operates two funds: the Start Green Sustainable Innovation Fund and the Start Green Consumer Products Fund. In addition to providing risk capital, Start Green places its knowledge, experience and extensive network at the disposal of its partners.

In-company environmental care

Fortis Bank Nederland (Holding) N.V. continued to pursue the Carbon Neutrality Program launched by Fortis Group in 2007, introducing various measures aimed at raising employee awareness of how they can do their part to save the environment. An example was the participation in the United Nations World Environment Day, for which the bank organised activities relating to the theme 'Kick the CO_2 habit! Towards a low carbon economy'. Fortis Bank Nederland (Holding) N.V. also hosted a seminar – 'Bio-energy: blessing or catastrophe?' – for the bank's staff and future colleagues at ABN AMRO, promoting a dynamic debate on the pros and cons of this renewable energy source.

To align energy reduction targets with those of local initiatives, Fortis Bank Nederland (Holding) N.V. signed the *Meerjaren Afspraak 3* at the end of 2008, a long-term energy reduction plan. In a related effort, the bank is studying opportunities and challenges presented by mobility management among its workforce and signed a number of local mobility management covenants.

CO_2 emissions (in tonnes)

	2008	2007
Buildings		
- Electricity	0	10,129
- Other sources	8,125	8,476
Mobility		
- Road travel	5,137	4,981
- Air travel	1,730	3,113
Total CO_2 emissions	14,992	26,699

Fortis Bank Nederland (Holding) N.V. reduced CO_2 emissions from its buildings by purchasing electricity from renewable energy sources (as of 1 July 2007) and introducing energy efficiency initiatives within its carbon neutrality program. Air travel emissions were reduced under a new travel policy and through promotion of web- and teleconferencing.

Human Resources

Human Resources (HR) supports Fortis Bank Nederland (Holding) N.V. in achieving one of its top priorities: controlled, sustainable growth. A goal that can only be attained with a skilled, motivated workforce. HR offers the services and support employees need to take control of their careers and flourish in the bank's dynamic, performance-driven culture.

Key developments in 2008

Human Resources devoted a great deal of time and effort in 2008 to making preparations for the integration with ABN AMRO. HR worked constructively with the bank's future colleagues on harmonising systems, processes and terms of employment and focused its efforts on setting up a new organisation. HR carefully examined the interests of all employees at every stage of the process. As ever, consultations with trade unions were an essential activity.

Talks with the trade unions on the Fortis Bank Nederland (Holding) N.V.-ABN AMRO Social Plan were effective and constructive. These negotiations were nearly completed when, on 3 October 2008, both Fortis Bank Nederland (Holding) N.V. and ABN AMRO were nationalised by the Dutch State. As a result, the integration was suspended and Fortis Bank Nederland (Holding) N.V. was set to be separated from Fortis Bank SA/NV. This turn of events meant that HR was suddenly faced with a group of employees who had lost their jobs or who no longer had a manager in the Netherlands. In response, HR set up a Talent Matching Desk to help people who had been posted with ABN AMRO or with Fortis offices abroad, and people in corporate functions from Fortis Group, find new jobs. 'Pool managers' in the different businesses worked closely with these employees, helping more than 400 people find a permanent or temporary position elsewhere in the company.

The Dutch State also decided that ASR Nederland, the insurance arm, and Fortis Bank Nederland (Holding) N.V. would separate too. HR responded by starting up projects designed to separate the bank's and insurer's combined personnel and salary administration systems.

The coverage ratio of Fortis Bank Nederland (Holding) N.V.'s pension fund came down from 135% at the end of 2007 to around 111% at year-end 2008, caused by lower interest rates and the decline in the stock market. The coverage ratio at the end of 2008 is slightly higher than the coverage ratio required by DNB. The coverage ratio further declined to around 105% at the end of February 2009. A rescue plan, regarding the decline in coverage ratios, will be defined and put forward to De Nederlandsche Bank. For further information please refer to the Pensionfund Fortis Bank Nederland (Holding) N.V. Annual Report 2008, to be published at a later date in 2009.

If there were one word that could be used to describe 2008, it would have to be 'change' – which is why HR devoted attention throughout the year to this important theme. The Health & Safety Service developed a workshop called Managing Change, which the businesses rolled out to support employees in coping with the turbulence.

Talent to the Top and other achievements

Research shows that a varied composition of boardroom and top management leads to better decision making and results. Mixed teams lead to retaining talent, improved creativity and innovation. 'Talent to the Top' seeks to promote diversity at the top in cooperation with government, businesses, leading business women and social partners. Fortis Bank Nederland (Holding) N.V. is signatory to the Charter 'Talent to the Top'. Fortis Bank Nederland (Holding) N.V. has committed to taking concrete steps in the coming years to attract, retain and promote female talent.

Working on the less glamorous, yet equally important, day-to-day business proved its merit, as witnessed by the *Kroon op het Werk* 2008 prize (Crowning Glory) that Fortis Bank Nederland (Holding) N.V. received in May. Crowning Glory is a national employers' prize awarded annually to an organisation that has shown excellence in health management, absenteeism reduction, occupational disability and integration/reintegration. The bank received the prize for its policy-based, widely varied staff health program, thanks to the joint efforts of Health & Safety Service, HR and Facility. The most important elements of Fortis Bank Nederland (Holding) N.V.'s approach to health management are its BRAVO program (which encourages staff to take more exercise, quit smoking, moderate alcohol consumption, eat more healthily and relax more) and its absenteeism and reintegration policy.

Another notable achievement came in November, when Fortis Bank Nederland (Holding) N.V. took 7th place in the Intermediair Best Employer of the Year survey. Although the bank walked away with first prize in 2007, ranking seventh despite the turmoil is quite an accomplishment.

The Fortis Bank Nederland (Holding) N.V. collective labour agreement and Social Plan expired at the end of 2008. Both have since been extended for upwards of one year, and both include a renegotiation clause aimed at preventing problems during the integration with ABN AMRO.

Focus in 2009

The coming year should see the completion of the separation from Fortis Group and from ASR Nederland as well as a fresh start in the integration with ABN AMRO. Many things were unclear at the time this report went to publication, but it is clear that a lot will be demanded of the bank's employees in 2009. HR will continue to play a vital part in ensuring that the interests of employees in both organisations are represented at all times.

Discussions with the Works Councils and trade unions about a joint Social Plan and collective labour agreement will be again of great significance this year. Furthermore, Fortis Bank Nederland (Holding) N.V. has the intention to propose an adjusted remuneration policy in light of the public debate on sustainable remuneration.
Based on the current business portfolio, separation and planned integration activities Fortis Bank Nederland (Holding) N.V. does not expect a significant change in het number of staff employed in 2009.

Florentine Six:
"Helping young people with limited intellectual abilities learn to ski: that's just one of the special social projects of Fortis Foundation Nederland."

Audited Financial Statements

The Annual Report of Fortis Bank Nederland (Holding) N.V. consists of two separate documents, the Annual Review 2008 and the Financial Statements 2008. The Financial Statements contain the consolidated and company financial statements of Fortis Bank Nederland (Holding) N.V. The Financial Statements are duly signed by the members of the Management Board and the Supervisory Board in accordance with Article 15 of the Articles of Association. KPMG Accountants N.V. has audited these financial statements. Their auditor's report is included in the Financial Statements as part of 'other information'.

The Annual Review has been derived consistently, in all material respects, from the audited Financial Statements of Fortis Bank Nederland (Holding) N.V.

Fortis Bank Nederland (Holding) N.V.

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Disclaimer
Certain of the statements contained in this Annual Review are statements of future expectations and other forward-looking statements. These expectations are based on management's current views and assumptions and involve known and unknown risks and uncertainties.

The Annual Review is published in English and Dutch. In case of any discrepancy between these versions, the English text shall prevail.

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18953 (4-2008)

Financial Statements 2008

Fortis Bank Nederland (Holding) N.V.

23 March 2009

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Introduction

The Fortis Bank Nederland (Holding) N.V. Financial Statements 2008 comprise the audited Fortis Bank Nederland (Holding) N.V. Consolidated Financial Statements 2008 as well as the audited Fortis Bank Nederland (Holding) N.V. company financial statements, with comparative figures for 2007 and 2006, prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The Fortis Bank Nederland (Holding) N.V. Financial Statements 2008, together with the Annual Review 2008, constitute the Fortis Bank Nederland (Holding) N.V. Annual Report 2008.

All amounts in the tables of these financial statements are denominated in millions of euros, unless stated otherwise. Because figures have been rounded off, small differences with previously reported figures may occur. Certain reclassifications have been made with regard to the prior year’s Consolidated Financial Statements in order to make them comparable to the presentation for the year under review, related to IAS 1.15 and geographic segmentation.

Fortis Bank Nederland (Holding) N.V.
Consolidated Financial Statements 2008

Consolidated balance sheet

(before appropriation of profit)

	Note	31 December 2008	31 December 2007	31 December 2006
Assets				
Cash and cash equivalents	13	9,859	39,269	22,075
Assets held for trading	14	13,948	23,117	23,393
Due from banks	15	24,272	38,768	27,071
Due from customers	16	124,692	130,971	124,038
Investments:				
- Held to maturity		*30*	*35*	*33*
- Available for sale		*3,542*	*3,201*	*3,795*
- Held at fair value through profit or loss		*151*	*123*	*179*
- Investment property		*90*	*79*	*3*
- Associates and joint ventures		*388*	*25,733*	*906*
Total investments	17	4,201	29,171	4,916
Other receivables	18	3,029	3,435	2,920
Property and equipment	19	414	368	385
Goodwill and other intangible assets	20	182	224	228
Accrued interest and other assets	21	3,369	6,897	4,525
Deferred tax assets	28	237	158	198
Total assets		**184,203**	**272,378**	**209,749**
Liabilities				
Liabilities held for trading	14	23,716	52,466	32,961
Due to banks	22	21,309	71,311	70,144
Due to customers	23	91,798	69,990	63,856
Debt certificates	24	28,251	32,796	25,344
Subordinated liabilities	25	6,561	11,652	2,402
Other borrowings	26	257	1,371	903
Provisions	27	97	79	91
Current tax liabilities	28	247	730	518
Deferred tax liabilities	28	74	52	47
Accrued interest and other liabilities	29	8,874	9,513	7,386
Total liabilities		**181,184**	**249,960**	**203,652**
Shareholders' equity	3	2,944	21,763	5,910
Minority interests	4	75	655	187
Total equity		**3,019**	**22,418**	**6,097**
Total liabilities and equity		**184,203**	**272,378**	**209,749**

Consolidated income statement

	Note	2008	2008 Exceptional items	2008 Excluding exceptional items	2007	2007 Exceptional items	2007 Excluding exceptional items	2006
Income								
Interest income		17,357		17,357	19,169		19,169	13,532
Interest expense		(16,335)	(582)	(15,753)	(17,634)	(106)	(17,528)	(12,075)
Net interest income	33	1,022	(582)	1,604	1,535	(106)	1,641	1,457
Fee and commission income		1,108		1,108	1,168		1,168	957
Fee and commission expense		(285)		(285)	(242)		(242)	(111)
Net fee and commission income	38	823		823	926		926	846
Dividend and other investment income	34	27		27	37		37	20
Share in result of associates and joint ventures	35	(896)	(905)	9	190	179	11	10
Realised capital gains (losses) on investments	36	(16,807)	(16,822)	15	126		126	97
Other realised and unrealised gains and losses	37	431		431	587		587	884
Other income	39	207		207	225		225	159
Total income		**(15,193)**	**(18,309)**	**3,116**	**3,626**	**73**	**3,553**	**3,473**
Change in impairments	40	(1,303)	(972)	(331)	(41)		(41)	(70)
Net revenues		**(16,496)**	**(19,281)**	**2,785**	**3,585**	**73**	**3,512**	**3,403**
Expenses								
Staff expenses	42	(915)		(915)	(955)		(955)	(848)
Other expenses	43	(1,048)		(1,048)	(910)		(910)	(843)
Depreciation and amortisation of tangible and intangible assets	41	(67)		(67)	(60)		(60)	(63)
Total expenses		**(2,030)**		**(2,030)**	**(1,925)**		**(1,925)**	**(1,754)**
Profit before taxation		**(18,526)**	**(19,281)**	**755**	**1,660**	**73**	**1,587**	**1,649**
Income tax expense	44	56	191	(135)	(346)	24	(370)	(472)
Net profit for the period		**(18,470)**	**(19,090)**	**620**	**1,314**	**97**	**1,217**	**1,177**
Net gain on discontinued operations								
Net profit before minority interest		**(18,470)**	**(19,090)**	**620**	**1,314**	**97**	**1,217**	**1,177**
Net profit attributable to minority interests		16		16	18		18	20
Net profit attributable to shareholders		**(18,486)**	**(19,090)**	**604**	**1,296**	**97**	**1,199**	**1,157**

Further information about exceptional items can be found in note 32.

Consolidated statement of changes in equity

	Share capital	*Share premium reserve*	*Other reserves*	*Currency translation reserve*	*Net profit attributable to shareholders*	*Unrealised gains and losses*	*Share holders' equity*	*Minority interests*	*Total equity*
Balance at 1 January 2007	**497**	**2,195**	**1,950**	**(6)**	**1,157**	**117**	**5,910**	**187**	**6,097**
Net profit for the period					1,296		1,296	18	1,314
Revaluation of investments						(51)	(51)		(51)
Foreign exchange differences				(9)			(9)		(9)
Transfer			1,157		(1,157)				
Dividend			(76)				(76)		(76)
Increase of capital	146	14,674					14,820		14,820
Equity component of									
subordinated liabilities			(131)				(131)		(131)
Other changes in equity		(2)	6				4	450	454
Balance at 31 December 2007	**643**	**16,867**	**2,906**	**(15)**	**1,296**	**66**	**21,763**	**655**	**22,418**
Net profit for the period					(18,486)		(18,486)	16	(18,470)
Revaluation of investments						3	3		3
Foreign exchange differences				(3)			(3)	(3)	(6)
Other non-owner changes in equity									
Transfer	275	(275)	1,296		(1,296)				
Dividend			(395)				(395)	(5)	(400)
Increase of capital	97						97		97
Other changes in equity			(35)				(35)	(588)	(623)
Balance at 31 December 2008	**1,015**	**16,592**	**3,772**	**(18)**	**(18,486)**	**69**	**2,944**	**75**	**3,019**

Changes in equity are described in greater detail in note 3 and note 4.
For an overview of the relation between equity and solvency requirements we refer to note 6.

Consolidated cash flow statement

	2008	*2007*	*2006*
Result before taxation	**(18,526)**	**1,660**	**1,649**
Adjustments on non-cash items included in profit before taxation:			
(Un)realised gains (losses)	16,817	(191)	(171)
Share of profits in associates and joint ventures	896	(185)	(8)
Depreciation, amortisation and accretion	32	77	148
Provisions and impairments	1,320	24	33
Changes in operating assets and liabilities:			
Assets and liabilities held for trading	(19,826)	20,501	5,704
Due from banks	12,350	(12,004)	(10,104)
Due from customers	4,022	(6,993)	(15,332)
Reinsurance and other receivables	187	(445)	(310)
Due to banks	(49,159)	1,277	11,576
Due to customers	24,577	6,674	12,483
Net changes in all other operational assets and liabilities	3,276	215	(1,409)
Income tax paid	(411)	(155)	23
Cash flow from operating activities	**(24,445)**	**10,455**	**4,282**
Investment activities within the group		(241)	(9)
Purchases of investments	(2,303)	(2,079)	(187)
Proceeds from sales and redemptions of investments	1,144	2,395	2,847
Purchases of investment property	(22)	(65)	
Investments in associates and joint ventures	2	(1,283)	(184)
Proceeds from sales of associates and joint ventures	1,166	392	1
Purchases of property and equipment	(113)	(97)	(79)
Proceeds from sales of property and equipment	3	106	1
Acquisition of subsidiaries, associates and joint ventures, net of cash acquired	6	(23,782)	
Divestments of subsidiaries, associates and joint ventures, net of cash sold	157	(9)	(1)
Purchases of intangible assets	(29)	(28)	(95)
Proceeds from sales of intangible assets		17	
Change in scope of consolidation		(5)	47
Cash flow from investing activities	**13**	**(24,679)**	**2,341**
Proceeds from the issuance of debt certificates	(468)	13,176	8,260
Payment of debt certificates	(4,105)	(5,726)	(2,184)
Redemption / proceeds from the issuance of subordinated liabilities	2,446	9,510	706
Redemption / proceeds of subordinated liabilities	(626)	(384)	(509)
Payment / proceeds from the issuance of other borrowings	(854)	892	394
Payment of other borrowings	(35)	(415)	(3,911)
Proceeds from the issuance of shares		14,810	
Dividends paid to shareholders of the parent company	(395)	(76)	(779)
Dividends paid to minority interests	(5)		
Cash flow from financing activities	**(4,497)**	**31,787**	**1,977**
Effect of exchange rate differences on cash and cash equivalents	(481)	(369)	(33)
Net increase (decrease) of cash and cash equivalents	**(29,410)**	**17,194**	**8,567**
Cash and cash equivalents as at 1 January	**39,269**	**22,075**	**13,508**
Cash and cash equivalents as at 31 December	**9,859**	**39,269**	**22,075**
Supplementary disclosure of operating cash flow information			
Interest received	18,056	19,102	13,028
Dividend received from investments	22	29	19
Interest paid	(17,396)	(17,358)	(11,295)

General Notes

1 Accounting policies

1.1 General

Fortis Bank Nederland (Holding) N.V. has her statutory domicile in Amsterdam. Her main activity is practising common bank activities as meant in article 1 of 'Wet Toezicht Kredietwezen'. The ultimate shareholder of Fortis Bank Nederland (Holding) N.V. is the Dutch State.

The Fortis Bank Nederland (Holding) N.V., hereafter referred to as Fortis Bank Nederland (Holding) N.V., Consolidated Financial Statements, including the 2007 and 2006 comparative figures, are prepared in accordance with IFRS – including International Accounting Standards ('IAS') and Interpretations – at 31 December 2008 and as adopted by the European Union and with part 9 of book 2 of the Dutch Civil Code. For IAS 39, Financial Instruments: Recognition and Measurement, the exclusion regarding hedge accounting (the so-called 'carve-out') decreed by the European Union on 19 November 2004 is taken into account.

Where accounting policies are not specifically mentioned below, reference should be made to the IFRSs as adopted by the European Union.

The accounting policies used to prepare these 2008 Consolidated Annual Financial Statements are consistent with those applied for the year ended 31 December 2007.

Due to the impact of a particular transaction (sale of RFS Holdings B.V.) and a special event (Madoff fraud) during 2008, Fortis Bank Nederland (Holding) N.V. decided to provide additional disclosures to give a fair presentation of the impacts on the financial position and financial performance in accordance with IAS 1.15. Therefore this disposal and these exceptional items are separately presented in the consolidated income statement and the notes to the income statement, including the impact on the comparable figures.

1.2 Accounting estimates

The preparation of financial statements in conformity with IFRS requires the use of certain accounting estimates. It also requires management to exercise its judgement in the process of applying these accounting policies. Actual results may differ from those estimates and judgemental decisions.

Judgements 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 and equipment, investment property and intangible assets
- actuarial assumptions related to the measurement of pension obligations and assets
- estimation of present obligations resulting from past events in the recognition of provisions.

1.3 Standards issued

On 29 March 2007, the IASB issued a revised IAS 23 *Borrowing Costs*. The main change from the previous version is the removal of the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. An entity is, therefore, required to capitalise borrowing costs as part of the cost of such assets. The revised Standard applies to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009.

On 28 June 2007, IFRIC 13 *Customer Loyalty Programmes* was issued. This Interpretation addresses the accounting by entities that provide their customers with incentives to buy goods or services by providing awards (called ‘award credits’ in the Interpretation) as part of a sales transaction. IFRIC 13 is applicable to annual periods beginning on or after 1 July 2008. Fortis Bank Nederland (Holding) N.V. does not have such programmes.

On 6 September 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 21 November 2007, the European Union endorsed IFRS 8, Operating segments. The impact for Fortis Bank Nederland (Holding) N.V. should be limited.

On 10 January 2008, the IASB published a revised version of IFRS 3 *Business Combinations* and related revisions to IAS 27 *Consolidated Separate Financial Statements*. In the new version of IFRS 3, transaction costs directly attributable to the acquisition are no longer included in the cost of the business combination. Furthermore, under IFRS 3 the acquirer can elect to measure any non-controlling interest at fair value at the acquisition date, or at its proportionate interest in the fair value of the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis. This amendment is applicable as from the financial year 2010 (with earlier application permitted). Fortis Bank Nederland (Holding) N.V. is evaluating the effect of the changes.

On 17 January 2008, the IASB issued an amendment to IFRS 2 *Shared-based Payments*. This amendment clarifies that vesting conditions are service conditions and performance conditions only and introduces non-vesting conditions. It also specifies that all cancellations, whether by the entity, the counterparty or by both parties, should receive the same accounting treatment. This amendment is applicable as from the financial year 2009 (with earlier application permitted). Fortis Bank Nederland (Holding) N.V. is evaluating the effect of the changes.

On 14 February 2008, the IASB issued amendments to improve the accounting for particular types of financial instruments that have characteristics similar to those of ordinary shares but that at present are classified as financial liabilities. The amendments affect IAS 32 *Financial Instruments: Presentation* and IAS 1 *Presentation of Financial Statements*. These amendments are applicable as from the financial year 2009 (with earlier application permitted) and will have no material effect on Fortis Bank Nederland (Holding) N.V.

On 22 May 2008, the IASB issued ‘Improvements to IFRSs’, a collection of minor amendments to a number of IFRSs. These amendments have different application dates and have no material effect on Fortis Bank Nederland (Holding) N.V. On the same date, the IASB issued an amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards*, related to the cost of an investment in a subsidiary in the separate financial statements of a parent. This amendment is applicable as from the financial year 2009 (with earlier application permitted) and will have no material impact on Fortis Bank Nederland (Holding) N.V.

On 3 July 2008, IFRIC 15 *Agreements for the Construction of Real Estate* was issued. The Interpretation provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of IAS 11 *Construction Contracts* or IAS 18 *Revenue* and when revenue from the construction should be recognised. This interpretation is effective for annual periods beginning on or after 1 January 2009 and is to be applied retrospectively, but will have no impact on Fortis Bank Nederland (Holding) N.V.

On 3 July 2008, IFRIC 16 *Hedges of a Net Investment in a Foreign Operation* was also issued. The IFRIC was asked for guidance on accounting for the hedge of a net investment in a foreign operation in an entity's consolidated financial statements. Practice has diverged as a result of differing views on which risks are eligible for hedge accounting according to International Financial Reporting Standards (IFRSs). Fortis Bank Nederland (Holding) N.V. is evaluating the effect of the changes.

On 15 October 2008, the European Union endorsed the amendments of IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures*. The amendments to IAS 39 introduce the possibility of reclassification for companies applying IFRS in rare circumstances. The amendments to IFRS 7 introduce additional disclosure requirements linked to these reclassifications in order to ensure full transparency for users of financial statements. The amendment is applicable as of the third quarter of this year.
Fortis Bank Nederland (Holding) N.V. has not applied the amendment of IAS 39.

On 27 November 2008, the IASB issued a revised version of IFRS 1 *First-time Adoption of International Financial Reporting Standards*. The revised version has an improved structure but does not contain any technical changes, so this has no impact for Fortis Bank Nederland (Holding) N.V.

On 27 November 2008, the International Financial Reporting Interpretations Committee (IFRIC) issued IFRIC 17 *Distributions of Non-cash Assets to Owners*. The Interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders. IFRIC 17 is to be applied prospectively for annual periods beginning on or after 1 July 2009. No effect is to be expected for Fortis Bank Nederland (Holding) N.V.

On 29 January 2009, Interpretation IFRIC 18 *Transfers of Assets from Customers* was issued to address divergent practice in the accounting by recipients for transfers of property and equipment from 'customers'. The Interpretation concludes that when the item of property and equipment transferred meets the definition of an asset from the perspective of the recipient, the recipient should recognise the asset at its fair value on the date of the transfer, with the credit recognised as revenue in accordance with IAS 18 *Revenue*. The Interpretation is to be applied prospectively to transfers of assets from customers received on or after 1 July 2009. Fortis Bank Nederland (Holding) N.V. is evaluating the effect of the changes.

1.4 Segment reporting

Primary reporting format – business segments

On 5 November 2007 Fortis announced that it would reorganise its management structure as of 1 January 2008. The adequate management structure will support the development of Fortis Bank Nederland (Holding) N.V.

The primary format for reporting segment information is based on business segments. Fortis Bank Nederland (Holding) N.V.'s reportable business segments represent groups of assets and operations engaged in providing financial products or services, which are subject to differing risks and returns.

For comparison purposes the Balance sheet and Income statement by segments for 2007 and 2006 have been adjusted to the business segment structure 2008.

Fortis Bank Nederland (Holding) N.V. is organised on a worldwide basis into three businesses:
- Retail Banking
- Private Banking
- Merchant Banking

Transactions or transfers between the business segments are entered into under normal commercial terms and conditions that would be available to unrelated third parties.

Secondary reporting format – geographical segments

A geographical segment is engaged in providing products or services within a particular economic environment subject to risks and returns that are different from those of segments operating in other economic environments.

Fortis Bank Nederland (Holding) N.V.'s geographical segments for reporting purposes are as follows:
- The Netherlands
- Other European Countries
- Asia
- Other.

1.5 Consolidation principles

Subsidiaries

The Consolidated Financial Statements include those of Fortis Bank Nederland (Holding) N.V. and her subsidiaries. Subsidiaries are those companies, of which Fortis Bank Nederland (Holding) N.V., either directly or indirectly, has the power to govern the financial and operating policies so as to obtain benefits from its activities ('control'). Subsidiaries are consolidated from the date on which effective control is transferred to Fortis Bank Nederland (Holding) N.V. and are no longer consolidated from the date that control ceases. Subsidiaries acquired exclusively with a view to resale are accounted for as non-current assets held for sale (see 1.21).

Intercompany transactions, balances and gains and losses on transactions between the Fortis Bank Nederland (Holding) N.V. companies are eliminated. Minority interests in the net assets and net results of consolidated subsidiaries are shown separately on the balance sheet and income statement. Minority interests are stated at the fair value of the net assets at the date of acquisition. Subsequent to the date of acquisition, minority interests comprise the amount calculated at the date of acquisition and the minority's share of changes in equity since the date of acquisition.

Joint ventures

Investments in joint ventures are accounted for using the equity method. Joint ventures are contractual agreements whereby Fortis Bank Nederland (Holding) N.V. and other parties undertake an economic activity that is subject to joint control.

Associates

Investments in associates are accounted for using the equity method. These are investments where Fortis Bank Nederland (Holding) N.V. has significant influence, but which it does not control. The investment is recorded at Fortis Bank Nederland (Holding) N.V.'s share of the net assets of the associate. The ownership share of net income for the year is recognised as investment income and Fortis Bank Nederland (Holding) N.V.'s share in the investment's post-acquisition direct equity movements are recognised in equity. Gains on transactions between Fortis Bank Nederland (Holding) N.V. and investments accounted for using the equity method are eliminated to the extent of Fortis Bank Nederland (Holding) N.V.'s interest. Losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Adjustments are made to the financial statements of the associates to ensure consistent accounting policies across Fortis Bank Nederland (Holding) N.V.

Losses are recognised until the carrying amount of the investment is reduced to nil and further losses are only recognised to the extent that Fortis Bank Nederland (Holding) N.V. has incurred legal or constructive obligations or made payments on behalf of an associate.

1.6 Foreign currency

The consolidated financial statements are stated in euros, which is the functional currency of Fortis Bank Nederland (Holding) N.V.

Foreign currency transactions

For individual entities of Fortis Bank Nederland (Holding) N.V., foreign currency transactions are accounted for using the exchange rate at the date of the transaction.

Outstanding balances in foreign currencies at year end are translated at year end exchange rates for monetary items.

Translation of non-monetary items depends on whether the non-monetary items are carried at historical cost or at fair value. Non-monetary items carried at historical cost are translated using the historical exchange rate that existed at the date of the transaction. Non-monetary items that are carried at fair value are translated using the exchange rate on the date that the fair values are determined.

The resulting exchange differences are recorded in the income statement as foreign currency gains (losses), except for those non-monetary items whose fair value change is recorded as a component of equity.

The distinction between exchange differences (recognised in the income statement) and unrealised fair value results (recognised in equity) on available-for-sale financial assets is determined according to the following rules:

- the exchange differences are determined based on the evolution of the exchange rate calculated on the previous balances in foreign currency
- the unrealised (fair value) results are determined based on the difference between the balances in euros of the previous and the new period, converted at the new exchange rate.

Foreign currency translation

On consolidation, the income statement and cash flow statement of entities whose functional currency is not denominated in euros are translated into the presentation currency of Fortis Bank Nederland (Holding) N.V. (euros), at the exchange rate at the date of the transaction and their balance sheets are translated using the exchange rates prevailing at the balance sheet date. Translation exchange differences are recognised in equity under the heading 'currency translation reserve'. On disposal of a foreign entity, such exchange differences are recognised in the income statement as part of the gain or loss on the sale.

Exchange differences arising on monetary items, borrowings and other currency instruments, designated as hedges of a net investment in a foreign operation are recorded in equity (under 'currency translation reserve') in the consolidated financial statements, until the disposal of the net investment, except for any hedge ineffectiveness that is immediately recognised in the income statement.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing exchange rate on the balance sheet date. All resulting differences are recognised in equity under the heading ‘currency translation reserve’ until disposal of the foreign entity when a recycling to the income statement takes place.

The following table shows the rates of the most relevant currencies for Fortis Bank Nederland (Holding) N.V.

	Rates at year end			*Average rates*		
	2008	*2007*	*2006*	*2008*	*2007*	*2006*
1 EURO =						
Pound sterling	0.95	0.73	0.67	0.80	0.68	0.68
US dollar	1.39	1.47	1.32	1.47	1.37	1.26

1.7 Trade and settlement date

All purchases and sales of financial assets requiring delivery within the time frame established by regulation or market convention are recognised on the trade date, which is the date when Fortis Bank Nederland (Holding) N.V. becomes a party to the contractual provisions of the financial assets.

Forward purchases and sales other than those requiring delivery within the time frame established by regulation or market convention are recognised as derivative forward transactions until settlement.

1.8 Offsetting

Financial assets and liabilities are offset and the net amount reported on the balance sheet if there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

1.9 Classification and measurement of financial assets and liabilities

Fortis Bank Nederland (Holding) N.V. classifies financial assets and liabilities based on the business purpose of entering into these transactions.

Financial assets

Consequently, financial assets can be classified as for example assets held for trading, investments, due from banks and due from customers.

The measurement and income recognition in the income statement depend on the IFRS classification of the financial assets, being: (a) loans and receivables; (b) held-to-maturity investments; (c) financial assets at fair value through profit or loss and (d) available-for-sale financial assets. This IFRS classification determines the measurement and recognition as follows:

- Loans and receivables are initially measured at fair value (including transaction costs) and subsequently measured at amortised cost using the effective interest method, with the periodic amortisation in the income statement.
- Held-to-maturity investments consist of instruments with fixed or determinable payments and fixed maturity for which the positive intent and ability to hold to maturity is demonstrated. They are initially measured at fair value (including transaction costs) and subsequently measured at amortised cost using the effective interest method, with the periodic amortisation recorded in the income statement.
- Financial assets at fair value through profit or loss include:
  - (i) financial assets held for trading, including derivative instruments that do not qualify for hedge accounting
  - (ii) financial assets that Fortis Bank Nederland (Holding) N.V. has irrevocably designated at initial recognition or first-time adoption of IFRS as held at fair value through profit or loss, because:
    - the host contract includes an embedded derivative that would otherwise require separation;
    - it eliminates or significantly reduces a measurement or recognition inconsistency (‘accounting mismatch’);
    - it relates to a portfolio of financial assets and/or liabilities that are managed and evaluated on a fair value basis.
- Available-for-sale financial assets are those assets that are otherwise not classified as loans and receivables, held-to-maturity investments, or financial assets designated at fair value through profit or loss. Available-for-sale financial assets are initially measured at fair value (including transaction costs), and are subsequently measured at fair value with unrealised gains or losses from fair value changes reported in equity. For impaired available-for-sale assets, unrealised losses previously recognised in equity are transferred to the income statement when the impairment occurs.

Financial liabilities

Financial liabilities are classified as liabilities held for trading, due to banks, due to customers, debt certificates, subordinated liabilities and other borrowings.

The measurement and recognition in the income statement depends on the IFRS classification of the financial liabilities, being: (a) financial liabilities at fair value through profit or loss, and (b) other financial liabilities. This IFRS classification determines the measurement and recognition in the income statement as follows:

- Financial liabilities at fair value through profit or loss include:
  - (i) financial liabilities held for trading, including derivative instruments that do not qualify for hedge accounting
  - (ii) financial liabilities that Fortis Bank Nederland (Holding) N.V. has irrevocably designated at initial recognition or first-time adoption of IFRS as held at fair value through profit or loss, because:
    - the host contract includes an embedded derivative that would otherwise require separation;
    - it eliminates or significantly reduces a measurement or recognition inconsistency ('accounting mismatch');
    - it relates to a portfolio of financial assets and/or liabilities that are managed and evaluated on a fair value basis.
- Other financial liabilities are initially recognised at fair value (including transaction costs) and subsequently measured at amortised cost using the effective interest method, with the periodic amortisation recorded in the income statement.

1.10 Fair value of financial instruments

The fair value of a financial instrument is determined based on quoted prices in active markets. When quoted prices in active markets are not available, valuation techniques are used. Valuation techniques make maximum use of market inputs but are affected by the assumptions used, including discount rates and estimates of future cash flows. Such techniques include market prices of comparable investments, discounted cash flows, option pricing models and market multiples valuation methods. In the rare case where it is not possible to determine the fair value of a financial instrument, it is accounted for at cost. Fortis Bank Nederland (Holding) N.V. doesn't use IFRS 7.27c.

On initial recognition, the fair value of a financial instrument is the transaction price, unless the fair value is evidenced by observable current market transactions in the same instrument, or is based on a valuation technique that includes inputs only from observable markets.

The principal methods and assumptions used by Fortis Bank Nederland (Holding) N.V. in determining the fair value of financial instruments are:

- Fair values for securities available for sale or at fair value through profit or loss are determined using market prices from active markets. If 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 securities held to maturity (only necessary for disclosures) are determined in the same way.
- Fair values for derivative financial instruments are obtained from active markets or determined using, as appropriate, 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 Bank Nederland (Holding) N.V.'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 in accordance with 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.

1.11 Measurement of impaired assets

An asset is impaired when its carrying amount exceeds its recoverable amount. Fortis Bank Nederland (Holding) N.V. reviews all of its assets at each reporting date for objective evidence of impairment.

The carrying amount of impaired assets is reduced to the net present value of its estimated recoverable amount and the amount of the change in the current year is recognised in the income statement. Recoveries, write-offs and reversals of impairment are included in the income statement as part of change in impairment.

If in a subsequent period the amount of the impairment on assets other than goodwill or available-for-sale equity instruments decreases, due to an event occurring after the write-down, the amount is reversed by adjusting the impairment and is recognised in the income statement.

Financial assets

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.

For equity securities, the triggers used to determine whether there is objective evidence of impairment include, amongst others, the consideration whether the fair value is substantially below cost at the balance sheet date, or has been below cost for a prolonged period at the balance sheet date.

For debt securities Fortis Bank Nederland (Holding) N.V. uses one obligatory impairment triggers (like bankruptcy or significant financial difficulty of the issuer) or three judgemental impairment triggers (for example deterioration of the rating or negative equity) to determine objective evidence of impairment.

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 amortised cost);
- based on the fair value of the collateral.

Impairments to available-for-sale equity instruments cannot be reversed through the income statement in subsequent periods.

Goodwill and other intangible assets

Fortis Bank Nederland (Holding) N.V. assesses the carrying amount of the software 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 individual asset. This amount is then compared to the carrying amount of the individual asset 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.
See also 1.20: Goodwill and other intangible assets.

Other assets

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.

Due from banks and due from customers

A credit risk for specific loan provision is established if there is objective evidence that Fortis Bank Nederland (Holding) N.V. 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.

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 impairment in the income statement.

1.12 Cash and cash equivalents

Content

Cash and cash equivalents comprise of cash on hand, freely available balances with central banks and other non-derivative financial instruments with less than three months maturity from the date of acquisition.

Cash flow statement

Fortis Bank Nederland (Holding) N.V. reports cash flows from operating activities using the indirect method, whereby the net result is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.

Interest received and interest paid is presented as cash flows from operating activities in the cash flow statement. Dividends received are classified as cash flows from operating activities. Dividends paid are classified as cash flows from financing activities.

1.13 Due from banks and due from customers

Classification

Due from banks and due from customers include loans originated by Fortis Bank Nederland (Holding) N.V. by providing money directly to the borrower or to a sub-participation agent and loans purchased from third parties that are carried at amortised cost. Debt securities acquired on the primary market directly from the issuer are recorded as loans, provided there is no active market for those securities. Loans that are originated or purchased with the intent to be sold or securitised in the short-term are classified as assets held for trading. Loans that are designated as held at fair value through profit or loss or available for sale are classified as such at initial recognition.

Measurement

Incremental costs incurred and loan origination fees earned in securing a loan are deferred and amortised over the life of the loan as an adjustment to the yield.

1.14 Sale and repurchase agreements and lending/borrowing securities

Securities subject to a repurchase agreement ('repos') are not derecognised from the balance sheet. The liability resulting from the obligation to repurchase the assets is included in 'due to banks' or 'due to customers' depending on the type of counterparty. Securities purchased under agreements to resell ('reverse repos') are not recognised on the balance sheet. The right to receive cash from the counterparty is recorded as due from banks or due from customers depending on the type of counterparty. The difference between the sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

Securities lent to counterparties remain on the balance sheet. Similarly, securities borrowed are not recognised on the balance sheet. If borrowed securities are sold to third parties, the proceeds from the sale and a liability for the obligation to return the collateral are recorded. The obligation to return the collateral is measured at fair value through profit or loss and is classified as a liability held for trading. Cash advanced or received related to securities borrowing or lending transactions is recorded as due from banks/due from customers or due to banks/due to customers.

1.15 Assets and liabilities held for trading

A financial asset or financial liability is classified as held for trading if it is:

- acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking;
- a derivative (except for a derivative that is a designated and effective hedging instrument).

Assets and liabilities held for trading are initially recognised at cost and subsequently measured at fair value through profit or loss. The (realised and unrealised) results are included in 'other realised and unrealised gains and losses'. Interest received (paid) on assets (liabilities) held for trading is reported as interest income (expense). Dividends received are included in 'dividend and other investment income'.

1.16 Investments

Management determines the appropriate classification of its investment securities at the time of the purchase. Investment securities with a fixed maturity where management has both the intent and the ability to hold to maturity are classified as held to maturity. Investment securities to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices, are classified as available for sale. Investment securities that are acquired for the purpose of generating short-term profits are considered to be held for trading. Any investment, other than investments in equity instruments without a quoted market price in an active market, may be designated on initial recognition as a financial instrument at fair value through profit or loss. Once an asset has been designated as held at fair value through profit or loss it cannot be transferred to a different category.

Held-to-maturity investments are carried at amortised cost less any impairment changes. Any difference between the initial recognition amount resulting from transaction costs, initial premiums or discounts is amortised over the life of the investment using the effective interest method. If a held-to-maturity investment is determined to be impaired, the amount of the impairment loss is recognised in the income statement.

Available-for-sale investment securities are held at fair value. Changes in the fair value are recognised directly in equity until the asset is sold, unless the asset is hedged by a derivative. If an investment is determined to be impaired, the impairment is recognised in the income statement. For impaired available-for-sale investments, unrealised losses previously recognised in equity are transferred to the income statement when the impairment occurs.

If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment was recognised in the income statement, the impairment is reversed, with the amount of the reversal recognised in the income statement. Impairments recognised in the income statement for an investment in an equity instrument classified as available for sale are not reversed through the income statement.

Available-for-sale investment securities that are hedged by a derivative are carried at fair value with movements in fair value recognised through the income statement for the part attributable to the hedged risk and through equity for the remaining part.

Held-for-trading assets and assets designated as held at fair value through profit or loss are carried at fair value. Changes in the fair value are recognised in the income statement.

Investment property

Investment properties are those properties held to earn rental income or for capital appreciation. Fortis Bank Nederland (Holding) N.V. may also use certain investment properties for its own use. If the own use portions can be sold separately or leased out separately under a finance lease, these portions are accounted for as property and equipment. If the own use portions cannot be sold separately, the property is treated as investment property only if Fortis Bank Nederland (Holding) N.V. holds an insignificant portion for its own use.

Investment property is measured at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated using the straight-line method to write down the cost of such assets to their residual values over their estimated useful life's. The residual value and the useful life of investment property are determined for each significant part separately (component approach) and are reviewed at each year end.

Fortis Bank Nederland (Holding) N.V. rents its investment property under various non-cancellable rental contracts. Certain contracts contain renewal options for various periods of time; the rental income associated with these contracts is recognised on a straight-line basis over the rental term as investment income.

Transfers to, or from, investment property are only made when there is a change of use:

- into investment property at the end of owner-occupation, or at the start of an operating lease to a another party, or at the end of construction or development;
- out of investment property at the commencement of owner-occupation, or start of development with a view to sale.

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the balance sheet date. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

1.17 Leasing

Fortis Bank Nederland (Holding) N.V. as a lessor

Assets leased under operating leases are included in the consolidated balance sheet (1) under investment property (buildings), and (2) under property and equipment (equipment and motor vehicles). They are recorded at cost less accumulated depreciation. Rental income, net of any incentives given to lessees, is recognised on a straight-line basis over the lease term. Initial direct costs incurred by Fortis Bank Nederland (Holding) N.V. are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the rental income.

Fortis Bank Nederland (Holding) N.V. has also entered into finance leases, in which substantially all the risks and rewards related to ownership of the leased asset, other than legal title, are transferred to the customer.

When assets held are subject to a finance lease, the present value of the lease payments and any guaranteed residual value is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease interest income is recognised over the term of the lease based on a pattern reflecting a constant periodic rate of return on the net investment outstanding in respect of finance leases. Initial direct costs incurred by Fortis Bank Nederland (Holding) N.V. are included in the finance lease receivable and allocated against lease interest income over the lease term.

Fortis Bank Nederland (Holding) N.V. as a lessee

Fortis Bank Nederland (Holding) N.V. principally enters into operating leases for the rental of equipment and land and buildings. Payments made under such leases are typically charged to the income statement principally on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Any incentives received from the lessor in relation to operating leases are recognised as a reduction of rental expense over the lease term on a straight-line basis.

If the lease agreement transfers substantially all the risks and rewards inherent to ownership of the asset, the lease is recorded as a finance lease and the related asset is capitalised. At inception, the asset is recorded at the lower of the present value of the minimum lease payments or fair value and depreciated over the shorter of its estimated useful life or the lease term. The corresponding lease obligation, net of finance charges, is recorded as borrowings. The interest element of the finance cost is charged to the income statement over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the obligation for each period.

1.18 Other receivables

Other receivables

Other receivables arising from the normal course of business and originated by Fortis Bank Nederland (Holding) N.V. are initially recorded at fair value and subsequently measured at amortised cost using the effective interest method, less impairments.

1.19 Property and equipment

All real estate 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.

The depreciation of buildings is calculated using the straight-line method to write down the cost of such assets to their residual values over their estimated useful life's. The useful life of the buildings is determined for each significant part separately (component approach) and is reviewed at each year end. The real estate is therefore split into the following components: structure, closing, techniques and equipment, heavy finishing and light finishing.

The maximum useful life of the components is as follows:

Structure	50 years for offices and retail; 70 years for residential
Closing	30 years for offices and retail; 40 years for residential
Techniques and equipment	20 years for offices; 25 years for retail and 40 years for residential
Heavy finishing	20 years for offices; 25 years for retail and 40 years for residential
Light finishing	10 years for offices, retail and residential

Land has an unlimited useful life and is therefore not depreciated. IT, office and equipment are depreciated over their respective useful life's, which have been determined individually.

As a general rule, residual values are considered to be zero.

Repairs and maintenance expenses are charged to the income statement when the expenditure is incurred. Expenditures that enhance or extend the benefits of real estate or fixed assets beyond their original use are capitalised and subsequently depreciated.

For borrowing costs to finance the construction of property and equipment: see 1.32 Borrowing costs.

1.20 Goodwill and other intangible assets

Intangible assets

An intangible asset is an identifiable non-monetary asset and is recognised at cost if, and only if, it will generate future economic benefits and if the cost of the asset can be measured reliably.

Intangible assets with indefinite life's, which are not amortised, are instead tested for impairment at least annually. Any impairment loss identified is recognised in the income statement. Intangibles are recorded on the balance sheet at cost less any accumulated amortisation and any accumulated impairment losses. The residual value and the useful life of intangible assets are reviewed at each year end. With the exception of goodwill, Fortis Bank Nederland (Holding) N.V. does not have intangible assets with indefinite useful life's.

Intangible assets with definite life's are amortised over the estimated useful life.

Goodwill

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 Fortis Bank Nederland (Holding) N.V.'s interest in the fair value of assets acquired and liabilities and contingent liabilities assumed. Goodwill arising on the acquisition of a subsidiary is reported on the balance sheet as an intangible asset. Goodwill arising on business combinations before 1 January 2004 is deducted from equity and is not restated under IFRS. At acquisition date, it is allocated to those cash-generating units that are expected to benefit from the synergies of the business combination. It is not amortised, but instead is tested for impairment. Goodwill arising on the acquisition of an associate is presented as part of the investment in the associate.

Any excess of the acquired interest in the net fair value of the acquiree's assets, liabilities and contingent liabilities over the acquisition cost is recognised immediately in the income statement.

Fortis Bank Nederland (Holding) N.V. 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 recognised if the recoverable amount is less than the carrying amount. Impairment losses are recognised immediately in the income statement.

In the event of an impairment loss, Fortis Bank Nederland (Holding) N.V. first reduces the carrying amount of goodwill allocated to the cash generating unit and then reduces the other assets in the cash-generating unit pro rata on the basis of the carrying amount of each asset in the cash generating unit. Previously recognised impairment losses relating to goodwill are not reversed.

Fortis Bank Nederland (Holding) N.V. may obtain control of a subsidiary in more than one transaction. When this occurs, each exchange transaction is treated separately by Fortis Bank Nederland (Holding) N.V. The cost of each transaction is compared to the fair value of each transaction to determine the amount of goodwill associated with that individual transaction. Before Fortis Bank Nederland (Holding) N.V. obtains control of the entity, the transaction may qualify as an investment in an associate and may be accounted for using the equity method. If so, the fair value of the investor's identifiable net assets at the date of each earlier transaction will have been determined in applying the equity method to the investment.

Other intangible assets

Internally generated intangible assets

Internally generated intangible assets are capitalised when Fortis Bank Nederland (Holding) N.V. can demonstrate all of the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets arising from research and internally generated goodwill are not capitalised.

Software

Software for computer hardware that cannot operate without that specific software, such as the operating system, is an integral part of the related hardware and it is treated as property and equipment. If the software is not an integral part of the related hardware, the costs incurred during the development phase for which Fortis Bank Nederland (Holding) N.V. can demonstrate all of the above-mentioned criteria are capitalised as an intangible asset and amortised using the straight-line method over the estimated useful life. In general, such software is amortised over a maximum of 5 years.

Other intangible assets with definite life's

Other intangible assets include intangible assets with definite life's, such as trademarks and licenses that are generally amortised over their useful life's using the straight-line method. Intangible assets with finite life's are reviewed at each reporting date for indicators of impairment. In general, such intangible assets have an expected useful life of 10 years at most.

1.21 Non-current assets held for sale and discontinued operations

Non-current assets or a group of assets and liabilities are those for which Fortis Bank Nederland (Holding) N.V. will recover the carrying amount from a sale transaction that is expected to qualify as a sale within a year, instead of through continuing use.

A discontinued operation is a part of Fortis Bank Nederland (Holding) N.V. that has been disposed of or is classified as held for sale and

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

Non-current assets held for sale (and disposal groups) are not depreciated but measured at the lower of its carrying amount and fair value less costs to sell, and are separately presented on the balance sheet.

Results on discontinued operations are presented separately in the income statement.

1.22 Derivative financial instruments and hedging

Recognition and classification

Derivatives are financial instruments such as swaps, forward and future contracts, and options (both written and purchased). The value of these financial instruments changes in response to change in various underlying variables, require little or no net initial investment, and are settled at a future date.

All derivatives are recognised on the balance sheet at fair value on the trade date:

- derivatives held for trading in 'assets held for trading' and 'liabilities held for trading'
- derivatives that qualify for hedge accounting in 'accrued interest and other assets' and 'accrued interest and other liabilities'.

Subsequent changes in the clean fair value (i.e. excluding the interest accruals) of derivatives are reported in the income statement under 'other realised and unrealised gains and losses'.

Financial assets or liabilities can include embedded derivatives. Such financial instruments are often referred to as hybrid financial instruments. Hybrid financial instruments include reverse convertible bonds (bonds whose repayment may take the form of equities) or bonds with indexed interest payments. If the host contract is not carried at fair value through profit or loss and the characteristics and risks of the embedded derivative are not closely related to those of the host contract, the embedded derivative should be separated from the host contract and measured at fair value as a stand-alone derivative. Changes in the fair value are recorded in the income statement. The host contract is accounted for and measured applying the rules of the relevant category of the financial instrument.

However, if the host contract is carried at fair value through profit or loss or if the characteristics and risks of the embedded derivative are closely linked to those of the host contract, the embedded derivative is not separated and the hybrid financial instrument is measured as one instrument.

Embedded derivatives requiring separation are reported as hedging derivatives or derivatives held for trading as appropriate.

Hedging

On the date a derivative contract is entered into, Fortis Bank Nederland (Holding) N.V. may designate this contract as either (1) a hedge of the fair value of a recognised asset or liability (fair value hedge); (2) a hedge of a net investment in a foreign entity or; (3) a hedge of future cash flows attributable to a recognised asset or liability or a forecasted transaction (cash flow hedge). Hedges of firm commitments are fair value hedges, except for hedges of foreign exchange risk, which are accounted for as cash flow hedges.

At the start of the hedge relationship, Fortis Bank Nederland (Holding) N.V. documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions.

Fortis Bank Nederland (Holding) N.V. also documents its assessment - both at the start of the hedge and on an ongoing basis - of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Only assets, liabilities, firm commitments or highly probable forecast transactions that involve a party external to Fortis Bank Nederland (Holding) N.V. are designated as hedged items.
The change in fair value of a hedged asset or liability that is attributable to the hedged risk and the change in the fair value of the hedging instrument in a fair value hedge are recognised in the income statement. The change in the fair value of interest-bearing derivative instruments is presented separately from interest accruals.

If the hedge no longer meets the criteria for hedge accounting or is otherwise discontinued, the adjustment to the carrying amount of a hedged interest-bearing financial instrument that results from hedge accounting is amortised using the new effective interest rate calculated on the hedge discontinuance date.

Fair value hedge accounting is applied as from 1 January 2005 for portfolio hedges of interest rate risk (‘macro hedging’). Macro hedging implies that a group of derivatives (or proportions) are viewed in combination and jointly designated as the hedging instrument. Although the portfolio may, for risk management purposes, include assets and liabilities, the amount designated is an amount of assets or an amount of liabilities. In this context, the starting difference between the fair value and the carrying value of the hedged item at designation of the hedging relationship is amortised over the remaining life of the hedged item. For macro hedges, Fortis Bank Nederland (Holding) N.V. 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 under hedging.

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity under the caption ‘unrealised gains and losses’. Any hedge ineffectiveness is immediately recognised in the income statement.

When the hedge of a forecasted transaction or firm commitment results in the recognition of a non-financial asset or of a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of that non-financial asset or liability. Otherwise, amounts deferred in equity are transferred to the income statement and classified as profit or loss in the periods during which the hedged firm commitment or forecasted transaction affects the income statement.

This also applies if the hedge no longer meets the criteria for hedge accounting or is otherwise discontinued, but the hedged forecasted transactions or firm commitments are still expected to occur. If the hedged forecasted transactions or firm commitments are no longer expected to occur, the amounts deferred in equity are transferred to the income statement directly.

For net investment hedges: see note 1.6 Foreign currency.

1.23 Securitisations

Fortis Bank Nederland (Holding) N.V. securitises various mortgage portfolios. These securitisations take the form of a sale of the related assets to special purpose entities. These special purpose entities then issue various security tranches to investors. As Fortis Bank Nederland (Holding) N.V. retains substantially all risks and rewards, all securitized mortgages are recorded on the balance sheet.

1.24 Debt certificates, subordinated liabilities and other borrowings

Debt certificates, subordinated liabilities and other borrowings are initially recognised at fair value net of direct transaction costs incurred. Subsequently, they are measured at amortised cost and any difference between net proceeds and the redemption value is recognised in the income statement over the period of the borrowing using the effective interest method.

Debt that can be converted into Fortis' shares is separated into two components on initial recognition: (a) a liability instrument and, (b) an equity instrument. The liability component is first determined by measuring the fair value of a similar liability (including any embedded non-equity derivative features) that does not have an associated equity component.

The carrying amount of the equity instrument represented by the option to convert the instrument into common shares is then determined by deducting the carrying amount of the financial liability from the amount of the compound instrument as a whole.

Preference shares, which carry a mandatory coupon, or which are redeemable on a specific date or at the option of the shareholder, including those preferred shares that establish such a contractual obligation indirectly through their terms and conditions are classified as borrowings. The dividends on these preference shares are recognised in the income statement as interest expense on an amortised cost basis using the effective interest method.

If Fortis Bank Nederland (Holding) N.V. purchases its own debt, it is removed from the balance sheet and the difference between the carrying amount of the liability and the consideration paid is included in the income statement.

In determining whether preference shares are classified as a financial liability or as an equity instrument, Fortis Bank Nederland (Holding) N.V. assesses the particular rights attached to the shares to determine whether they exhibit the fundamental characteristic of a financial liability.

1.25 Employee benefits

Pension liabilities

Fortis Bank Nederland (Holding) N.V. operates a number of defined benefit and defined contribution plans throughout its global activities, in accordance with local conditions or industry practices. The pension plans are generally funded through payments to insurance companies or trustee administered plans, determined by periodic actuarial calculations.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependant on one or more factors such as age and years of service. A defined contribution plan is a pension plan under which Fortis Bank Nederland (Holding) N.V. pays fixed contributions. Qualified actuaries calculate the pension assets and liabilities at least annually.

For defined benefit plans, the pension costs and related pension assets or liabilities 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 life's 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 unrecognised actuarial gains and losses for defined benefit plans exceeding the corridor (greater than 10% of the present value of the defined benefit obligation or 10% of the fair value of any plan assets) are recognised in the income statement over the average remaining service lives of the employees.

Past-service costs are recognised immediately in the income statement, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

Assets that support the pension liabilities of an entity, must meet certain criteria in order to be classified as 'qualifying pension plan assets'. These criteria relate to the fact that the assets should be legally separate from Fortis Bank Nederland (Holding) N.V. or its creditors. If these criteria are not met, the assets are included in the relevant item on the balance sheet (such as investments, property and equipment). If the assets meet the criteria, they are netted against the pension liability.

When the fair value of the plan assets is netted against the present value of the obligation of a defined benefit plan, the resulting amount could be negative (an asset). In this case, the recognised asset cannot exceed the total of any cumulative unrecognised net actuarial losses and past service costs, and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Benefit plans that provide long-term service benefits, but that are not pension plans, are measured at present value using the projected unit credit method.

Fortis Bank Nederland (Holding) N.V.'s contributions to defined contribution pension plans are charged to the income statement in the year to which they relate.

Other post-retirement liabilities

Most of the Fortis Bank Nederland (Holding) N.V. companies provide post-retirement employee benefits to retirees such as preferential interest rate loans and health care insurance. Entitlement to these benefits is usually based on the employee remaining in service up to retirement age and the completion of a minimum service period. Expected costs of these benefits are accrued over the period of employment, using a methodology similar to that for defined benefit pension plans. These liabilities are determined based on actuarial calculations.

Equity compensation benefits (or equity participation plans)

Share options and restricted shares were granted to employees for services received. The fair value of the services received is determined by reference to the fair value of the share options and restricted shares granted. Compensation expense is measured on the grant date based on the fair value of the options and restricted shares and is recognised over the vesting period of the options and restricted shares.

The fair value of the share options is determined using an option-pricing model that takes into account the stock price at the grant date, the exercise price, the expected life of the option, the expected volatility of the underlying stock and the expected dividends on it, and the risk-free interest rate over the expected life of the option. When the options are exercised and new shares are issued, the proceeds received, net of any transaction costs, are credited to share capital (par value) and the surplus to share premium reserve. If for this purpose own shares have been repurchased, they will be eliminated from treasury stock.

Loans granted at preferential rates

Loans are sometimes provided to employees at an interest rate which is lower than the market rate. The terms of the loans granted at preferential rates state that employees lose the benefit of receiving a preferential rate upon termination of employment, at which time the interest rate on the loan is adjusted to the current market rate. However, some Fortis Bank Nederland (Holding) N.V. entities allow their employees to keep the preferential rate subsequent to retirement.

For the first category, the difference between the net present value of the loans at preferential rate and the net present value at the prevailing market rate is recognised in the balance sheet as a deferred compensation expense and recorded under operating and administrative expenses over the period that the employee obtains the benefit. Likewise, interest income is corrected to show the loans at market rate.

When loans continue after retirement and the former employees continue to benefit from preferential rates due to their past service at Fortis Bank Nederland (Holding) N.V., this benefit is taken into account in determining post-retirement benefits other than pensions.

Employee entitlements

Employee entitlements to annual leave and long-service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the balance sheet date.

1.26 Provisions, contingencies, commitments and financial guarantees

Provisions

Provisions are liabilities involving uncertainties in the amount or timing of payments. Provisions are recognised if there is a present obligation to transfer economic benefits, such as cash flows, as a result of past events and if a reliable estimate can be made at the balance sheet date. Provisions are established for certain guarantee contracts for which Fortis Bank Nederland (Holding) N.V. 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 are typically discounted at the risk-free rate.

Contingencies

Contingencies are those uncertainties where an amount cannot be reasonably estimated or when it is not probable that payment will be required to settle the obligation.

Commitments

Loan commitments that allow for draw down of a loan within the timeframe generally established by regulation or convention in the market place are not recognised as derivative financial instruments. Loan commitments that are designated as at fair value through profit or loss or where Fortis Bank Nederland (Holding) N.V. has a past practice of selling the assets resulting from its loan commitments are recognised on the balance sheet at fair value with the resulting change recognised in the income statement. Acceptances comprise undertakings by Fortis Bank Nederland (Holding) N.V. to pay bills of exchange drawn on customers. Fortis Bank Nederland (Holding) N.V. expects most acceptances to be settled simultaneously with the reimbursement from customers. Acceptances are not recognised in the balance sheet and are disclosed as commitments.

Financial guarantees

Financial guarantee contracts that require payments to be made in response to changes in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variables, and non-financial variables which are not specific to a party to the contract, are accounted for as derivatives.

Financial guarantee contracts requiring Fortis Bank Nederland (Holding) N.V. to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, are accounted for as insurance contracts if significant insurance risk is transferred to Fortis Bank Nederland (Holding) N.V.

1.27 Equity

Share capital and treasury shares

Share issue costs
Incremental costs directly attributable to the issue of new shares or share options, other than on a business combination, are deducted from equity net of any related income taxes.

Preference shares
Preference shares which are non-redeemable and upon which dividends are declared at the discretion of the directors are classified as equity.

Compound financial instruments
Components of compound financial instruments (liability and equity parts) are classified in their respective area of the balance sheet.

Other equity components

Other elements recorded in equity are related to:

- direct equity movements associates (see note 1.5)
- foreign currency (see note 1.6)
- available-for-sale investments (see note 1.16)
- cash flow hedges (see note 1.22).

1.28 Interest income and expense

Interest income and interest expense are recognised in the income statement for all interest-bearing instruments (whether classified as held to maturity, available for sale, held at fair value through profit or loss or derivatives) on an accrual basis using the effective interest method based on the actual purchase price including direct transaction costs. Interest income includes coupons earned on fixed and floating rate income instruments and the accretion or amortisation of the discount or premium.

Once a financial asset has been written down to its estimated recoverable amount, interest income is thereafter recognised based on the effective interest rate that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

1.29 Realised and unrealised gains and losses

For financial instruments classified as available for sale, realised gains or losses on sales and divestments represent the difference between the proceeds received and the initial book value of the asset or liability sold, minus any impairment losses recognised in the income statement after adjusting for the impact of any fair value hedge accounting adjustments. Realised gains and losses on sales are included in the income statement in the caption Realised capital gains (losses) on investments.

For financial instruments carried at fair value through profit or loss, the difference between the carrying value at the end of the current reporting period and the previous reporting period is included in Other realised and unrealised gains and losses.

For derivatives, the difference between the carrying clean fair value (i.e. excluding the unrealised portion of the interest accruals) at the end of the current reporting period and the previous reporting period is included in Other realised and unrealised gains and losses'.

Previously recognised unrealised gains and losses recorded directly into equity are transferred to the income statement upon derecognition or upon the financial asset becoming impaired.

1.30 Fee and commission income

Fees as integral part of effective interest rate

Fees that are an integral part of the effective interest rate of a financial instrument are generally treated as an adjustment to the effective interest rate. This is the case for origination fees, received as compensation for activities such as evaluating the borrower's financial condition, evaluating and recording guarantees, etc., and also for origination fees received on issuing financial liabilities measured at amortised cost. Both types of fees are deferred and recognised as an adjustment to the effective interest rate. However, when the financial instrument is measured at fair value through profit or loss, the fees are recognised as revenue when the instrument is initially recognised.

Fees recognised as services are provided

Fees are generally recognised as revenue as the services are provided. If it is unlikely that a specific lending arrangement will be entered into and the loan commitment is not considered a derivative, the commitment fee is recognised as revenue on a time proportion basis over the commitment period.

Fees recognised upon completion of the underlying transaction

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, are recognised upon completion of the underlying transaction. Commission revenue is recognised when the performance obligation is complete.

Loan syndication fees are recognised as revenue when the syndication has been completed.

1.31 Transaction costs

Transaction costs are included in the initial measurement of financial assets and liabilities other than those measured at fair value through profit or loss. Transaction costs refer to incremental costs directly attributable to the acquisition or disposal of a financial asset or liability. They include fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties.

1.32 Borrowing costs

Borrowing costs are generally expensed as incurred. Borrowing costs that are directly attributable to the acquisition or construction of an asset are capitalised while the asset is being constructed as part of the cost of that asset. Capitalisation of borrowing costs should commence when:

- expenditures for the asset and borrowing costs are being incurred
- activities necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation ceases when the asset is substantially ready for its intended use or sale. If active development is interrupted for an extended period, capitalisation is suspended. Where construction occurs piecemeal and use of each part is possible as construction continues, capitalisation for each part ceases upon substantial completion of that part.

For borrowing associated with a specific asset, the actual rate on that borrowing is used. Otherwise, a weighted average cost of borrowings is used.

1.33 Income tax expense

Income tax payable on profits is recognised as an expense based on the applicable tax laws in each jurisdiction in the period in which profits arise. The tax effects of income tax losses available for carry-forward are recognised as a deferred tax asset if it is probable that future taxable profit will be available against which those losses can be utilised.

Deferred tax is provided in full, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

The rates enacted or substantively enacted at the balance sheet date are used to determine deferred taxes.

Deferred tax assets are recognised to the extent that it is probable that sufficient future taxable profit will be available to allow the benefit of part or the entire deferred tax asset to be utilised.

Deferred tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates, and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future.

Current and deferred tax related to fair value re-measurement of available-for-sale investments and cash flow hedges which are charged or credited directly to equity is also credited or charged directly to equity and is subsequently recognised in the income statement together with the deferred gain or loss.

2 Acquisitions and divestments

The following acquisitions and divestments were made in 2008, 2007 and 2006.

2.1 Acquisitions

The major acquisitions that took place in 2007 and 2006 are:

Acquired company	*Quarter of acquisition*	*Acquisition amount*	*Percentage acquired*	*Capitalised intangible assets*	*Goodwill/ (negative goodwill)*	*Segment*
Fortis Prime Fund Solution (BVI) Ltd	Q1 2006	8	100		7	Private Banking
Fortis Intertrust Management Pte Ltd	Q1 2007	9	100		8	Private Banking
Fortis Bank CI	Q2 2007	211	100		(20)	Private Banking
FCF Turkey	Q3 2007	17	100		8	Private Banking
RFS Holding B.V.	Q4 2007	24,046	34		19,447	Several segments

In 2008 no major acquisitions have been made.

2.2 Assets and liabilities of acquisitions and divestments

The table below provides details on the assets and liabilities resulting from the acquisitions or disposals of subsidiaries, associates and joint ventures at the date of acquisition or disposal.

	2008		*2007*		*2006*	
	Acquisitions	*Divestments*	*Acquisitions*	*Divestments*	*Acquisitions*	*Divestments*
Assets and liabilities of acquisitions and divestments						
Cash and cash equivalents	4	(198)	1	(34)	4	
Due from banks		(2,234)			1	(2)
Due from customers	12	(476)			40	
Investments	1	(18,333)	23,777			
Other receivables		(1)				(27)
Property and equipment					14	
Goodwill and other intangible assets		(26)		(14)	7	
Accrued interest and other assets	2	(54)		(21)	2	(1)
Due to banks	19	(512)		(25)	39	
Due to customers		(2,393)			2	
Current and deferred tax liabilities		(1)		(1)		
Accrued interest and other liabilities	4	(50)	1	(13)	18	(27)
Minority interests				1		
Net assets acquired / Net assets divested	**(4)**	**(18,366)**	**23,777**	**(31)**	**9**	**(3)**
Negative goodwill			6	6		
Gain on disposal, gross		(16,845)				4
Cash used for acquisitions / received from divestments:						
Total purchase consideration / Proceeds from sale	4	1,521	(23,783)	25	(9)	(1)
Less: Cash and cash equivalents acquired / divested	4	(198)	1	(34)	4	
Less: Non-cash consideration					5	
Cash used for acquisitions / received for divestments	**8**	**1,323**	**(23,782)**	**(9)**		**(1)**

2.3 Sale of participation RFS Holdings B.V.

On 24 December 2008, Fortis Bank Nederland (Holding) N.V. sold and transferred its stake in RFS Holdings B.V. to the Dutch State. In respect to the future integration of Fortis Bank Nederland (Holding) N.V. and ABN AMRO, the Management Board and the Dutch State preferred to have the direct controlling interest in ABN AMRO at the Dutch State. The transfer allowed Fortis Bank Nederland (Holding) N.V. to improve its governance structure. The transfer of RFS Holdings for an amount of EUR 6.5 billion had a positive effect on the solvency and liquidity position of Fortis Bank Nederland (Holding) N.V.

RFS Holdings B.V. was recorded as an equity associate for EUR 24.2 billion. The realised capital loss at Fortis Bank Nederland (Holding) N.V. amounted to EUR 16.8 billion. The transactions had a positive impact on the capital ratio of 0.9%.

The financing costs for the take over of the RFS Holdings B.V parts until 24 December 2008 belonging to Fortis Bank Nederland (Holding) N.V. amounted to EUR 441 million after tax. This amount is accounted for in the Income statement of 2008 as exceptional item.

	2008	*2007*
Divestment of RFS Holdings B.V.		
Acquired activities	454	316
Shared assets	(307)	(58)
Purchase price adjustments	(124)	(79)
Operational profit	**23**	**179**
Financing costs	(441)	(82)
Impairment purchase price adjustments	(928)	
Realised capital loss	(16,822)	
Total effect RFS Holdings B.V.	**(18,168)**	**97**

3 Issued capital and reserves

The following table shows the composition of Issued capital and reserves as at 31 December 2008.

	31 December 2008	*31 December 2007*	*31 December 2006*
Share capital	1,015	643	497
Share premium reserve	16,592	16,867	2,195
Other reserves	3,772	2,906	1,950
Currency translation reserve	(18)	(15)	(6)
Net profit attributable to shareholders	(18,486)	1,296	1,157
Unrealised gains and losses	69	66	117
Shareholders' equity	**2,944**	**21,763**	**5,910**

Authorised issued capital amounts to EUR 1,176,856,500 distributed over 2,203,711 ordinary shares and 150,002 non-cumulative preference shares, each share having a nominal value of EUR 500.00.

As at 31 December 2008, issued and paid-up capital amounts to EUR 940.5 million ordinary shares and EUR 75.0 million preference shares distributed over 1,880,944 ordinary shares and 150,002 non-cumulative preference shares, each with a nominal value of EUR 500.00. The non-cumulative preference shares comprise 150,000 class A shares (5.85%) and 2 class-B shares (without a predefined payout ratio). The share premium on the preference class A and B shares are registered on separated accounts and are allocated to the class of shares. During the book year 195,161 class C non cumulative preference shares have been converted into 195,161 ordinary shares (EUR 97.6 million) and 550,000 new ordinary shares have been issued (EUR 275.0 million), to the account of the (general) Issued Capital Premium Reserve.

Fortis Bank Nederland (Holding) N.V. issued in the year 2007 150,000 class A preference shares for a total amount of EUR 210.0 million and 2 class B preference shares for a total amount of EUR 14.6 billion. The regulators consider these shares as Tier 1 capital. The class A preference shares (5.85%) are owned by a SPC (FBN (H) Preferred Investments B.V., Amsterdam, which is owned by the Dutch State since 3 October 2008 (for 70%) by 35 priority shares and (for 30%) by 15 ordinary shares held by three private investment institutions. The priority shares held by the Dutch State effectively allow the State to control the SPC. The class B preference shares are ultimately owned by the Dutch State.

Outstanding shares

The following table shows the number of outstanding shares:

	Ordinary shares	*Preference shares*	*Total Shares outstanding*
Number of shares at 31 December 2007	**1,135,783**	**345,163**	**1,480,946**
Issued	550,000		550,000
Conversion preference share into ordinary shares	195,161	(195,161)	
Number of shares at 31 December 2008	**1,880,944**	**150,002**	**2,030,946**

Other reserves include an amount of EUR (131) million that relates to the equity component of the in 2007 issued subordinated convertible securities (see note 25).

The Currency translation reserve is a separate component of Issued capital and reserves in which are reported the exchange differences, arising from translation of the results and financial positions of foreign operations that are included in the Fortis Bank Nederland (Holding) N.V. Consolidated Financial Statements.

Fortis Bank Nederland (Holding) N.V. hedges net investments in foreign operations. The net investment in a foreign operation is Fortis Bank Nederland (Holding) N.V.'s interest in the net assets of that operation. Exchange differences arising on borrowings and other currency instruments designated as hedging instruments of such investments are also recorded in equity (under the heading Currency translation reserve) until the disposal of the net investment, except for any hedge ineffectiveness which will be immediately recognised in the income statement. On disposal of a foreign entity, such exchange differences are recognised in the income statement as part of the gain or loss on the sale.

Until 2005, the exchange differences arising on borrowings and other currency instruments designated as hedging instruments of investments in foreign operations, were reported as unrealised gains and losses and not included in the Currency translation reserve.

The table below shows changes in Unrealised gains and losses included in Issued capital and reserves

	Available for sale investments	*Revaluation of associates*	*Other unrealised gains/losses*	*Total*
31 December 2008				
Gross	48	25	5	78
Related tax	(8)		(1)	(9)
Total	**40**	**25**	**4**	**69**
31 December 2007				
Gross	114	(23)		91
Related tax	(25)			(25)
Total	**89**	**(23)**		**66**
31 December 2006				
Gross	152			152
Related tax	(35)			(35)
Total	**117**			**117**

Unrealised gains and losses in Available for sale investments are discussed in detail in note 17.2.

Proposed dividend for 2008

Fortis Bank Nederland (Holding) N.V.

For the year 2008, the Management Board will not propose to the Supervisory Board and the General Meeting of Shareholders to pay dividend on any of the outstanding classes of shares.

FBN(H) Preferred Investments B.V.

This will also apply to FBN(H) Preferred Investments B.V. since no net profit is available to make the dividend payments on the preference shares held by the aforesaid legal entity, as required by the Articles of Association of Fortis Bank Nederland (Holding) N.V. and the Term Sheet governing the subject shares.

4 Minority interests

The following table provides information about the most significant minority interests in the Fortis Bank Nederland (Holding) N.V. entities.

	% of minority interest	31 December 2008	31 December 2007	31 December 2006
Group company				
Fortis Intertrust	25.0%	57	34	17
Fortis de Hondsrug B.V.	25.0%	7	6	4
Fortis Holding (Curacao) N.V.	25.0%	3	8	8
FMM Investments N.V.	25.0%	4	12	3
FBIB-Capital Structures B.V.	0.0%	2		
Fortis Bank (C.I.) Ltd				10
Leyden Bay B.V.	0.0%		455	
Moeara Enim			136	140
Other		2	4	5
Total		**75**	**655**	**187**

Fortis Bank Luxembourg owns 25.0 % of Fortis Intertrust. At Leyden Bay B.V. the minority interests went down from 30.3% to nil in 2008.

5 Risk management

5.1 Introduction

Sound risk management is a key ingredient of Fortis Bank Nederland (Holding) N.V.'s strategy of sustainable profitable growth and therefore one of its core competence of Fortis Bank Nederland (Holding) N.V. Fortis Bank Nederland (Holding) N.V. relies upon a strong risk management framework for several reasons: to ensure that it consistently maintains high standards of risk management, to raise executive management's awareness and understanding of the risks being taken, to encourage optimisation of the risk/return ratio and to measure economic capital.

Within its risk management framework, Fortis Bank Nederland (Holding) N.V. executes its risk strategy and undertakes controlled risk-taking activities. This framework combines core policies and methods and process design with broad oversight and is supported by regular and comprehensive risk performance monitoring. Fortis Bank Nederland (Holding) N.V. continuously reviews and upgrades its risk management framework in order to align its long-term strategy in the field, incorporating lessons learned through its own best practices. The following figure shows Fortis Bank Nederland (Holding) N.V.'s risk governance framework.

Each of the interrelated components of the risk governance framework is described in this section, including a quantitative and qualitative overview of Fortis Bank Nederland (Holding) N.V.'s risk exposure.

5.2 Philosophy, strategy and principles of sound risk management

5.2.1 Risk Management Philosophy

Fortis Bank Nederland (Holding) N.V. defines risk as the deviation from anticipated outcomes that may affect the value, capital or earnings of Fortis Bank Nederland (Holding) N.V. Fortis Bank Nederland (Holding) N.V.'s risk thus stems from its exposure to external or internal risk factors in conducting its business activities. Risk-taking and risk transformation is an integral part of Fortis Bank Nederland (Holding) N.V.'s value proposition to its customers and shareholders. Fortis Bank Nederland (Holding) N.V. 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. Moreover, Fortis Bank Nederland (Holding) N.V. aims to manage risks in a controlled and transparent manner. Fortis Bank Nederland (Holding) N.V. 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.

5.2.2 Risk Management Principles

Risk management at Fortis Bank Nederland (Holding) N.V. is based on the three guiding principles resulting from the risk governance framework:

- *Optimising risk/return in a controlled manner at high standards:* Fortis Bank Nederland (Holding) N.V. is a professional risk taker; as a Dutch commercial bank, assuming and transforming risk is a prime function of Fortis Bank Nederland (Holding) N.V. To ensure long- term stability, Fortis Bank Nederland (Holding) N.V. directs and controls its risk-taking towards businesses that provide consistent returns;
- *Independent and properly resourced risk management functions:* Risk-taking activities require an independent risk management function. Well-resourced independent risk management, which is clearly separated from any business decisions, is essential to avoid conflicts of interest. This is to ensure proper risk governance and, consequently, to enforce Fortis Bank Nederland (Holding) N.V.'s Risk Policy;
- *Open risk culture to promote trust and confidence:* Risk transparency and responsiveness to change, are an integral part of Fortis Bank Nederland (Holding) N.V.'s business culture. Fortis Bank Nederland (Holding) N.V. extensively evaluated risk management practices in the former Fortis organisation, as well as those of its peers and has built a risk organisation that respects lessons learned and that incorporates industry best practices.

5.2.3 Risk Strategy

Fortis Bank Nederland (Holding) N.V.'s risk strategy sets out how which type of risk must be taken and to what extent in order to achieve Fortis Bank Nederland (Holding) N.V.'s business objectives. It also sets out to what extent undesired risks should be mitigated and avoided. Hence, Fortis Bank Nederland (Holding) N.V.'s risk tolerance and risk appetite are components of its risk strategy. The risk strategy should not be considered independently, as it is based in part on Fortis Bank Nederland (Holding) N.V.'s corporate strategy, is aligned with Fortis Bank Nederland (Holding) N.V.'s strategic objectives, and is used in creating Fortis Bank Nederland (Holding) N.V.'s planning and capital management processes.

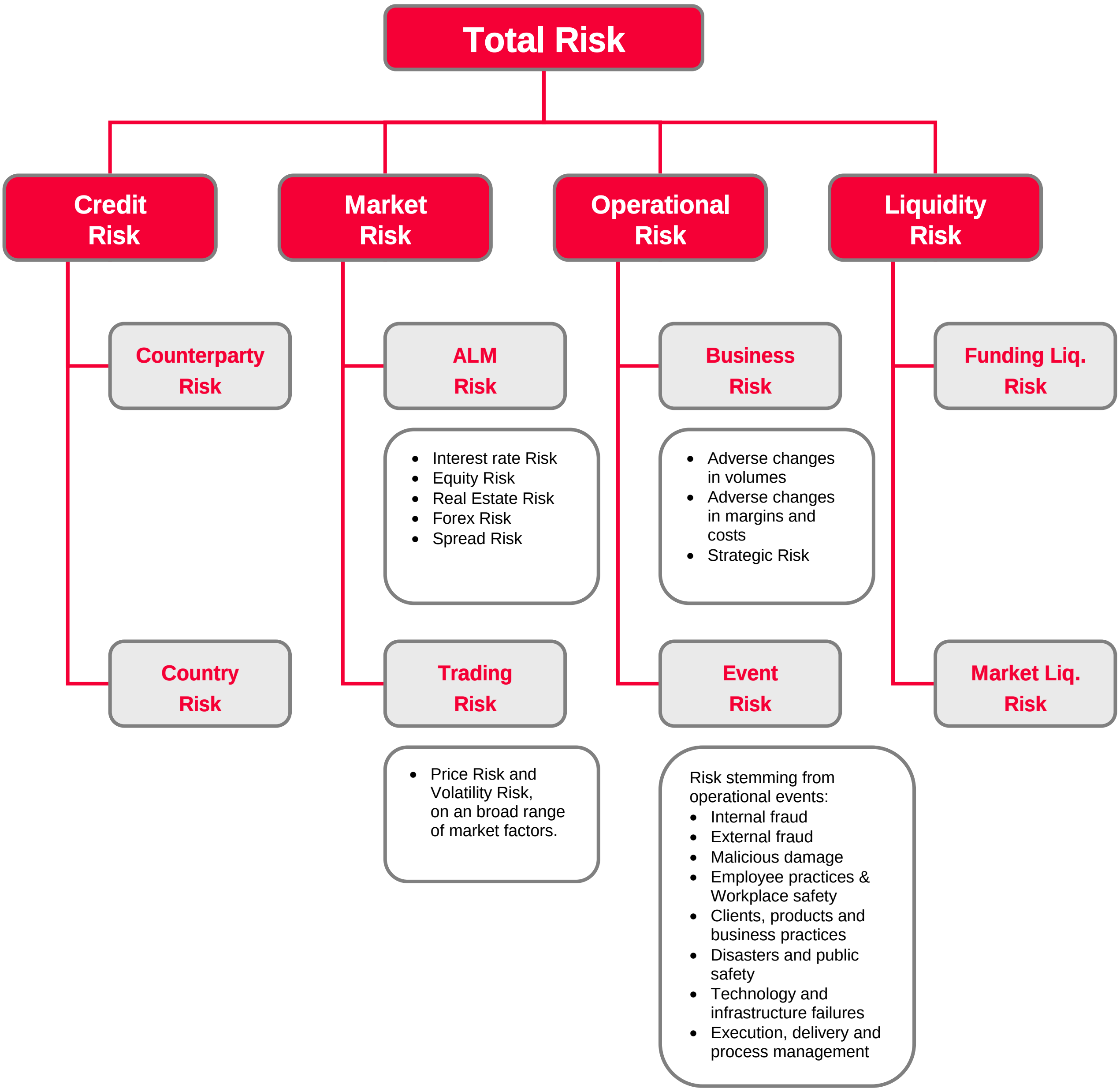
Fortis Bank Nederland (Holding) N.V.'s attitude towards risk reflects its desire or willingness to actively take certain risks (and to what extent) and to avoid or mitigate others. Fortis Bank Nederland (Holding) N.V. has classified each type of risk to which it is exposed into the following categories:

Core risks: those risks to which Fortis Bank Nederland (Holding) N.V. actively seeks exposure when it is efficient to do so and where exposure can be contained and managed either at individual or at overall portfolio level. Fortis Bank Nederland (Holding) N.V. aims to continuously improve its understanding of risk to extend the universe of risks it underwrites and intermediates and to enhance its ability to manage existing risk exposures.

The main sub-categories of core risks are credit risk, market risk (Asset and Liability Management (ALM) risk and trading risk) and liquidity risk. Liquidity risk can be further broken down into funding risk and market liquidity risk.

Non-core risks: 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. These risks are reduced to acceptable levels, taking into account the cost and benefit trade-offs. As such, Fortis Bank Nederland (Holding) N.V. manages its operational risks and protects its reputation by ensuring that its business practices meet the highest standards of integrity, as specified in its Code of Conduct.

In addition to the strategic classification defined above, Fortis Bank Nederland (Holding) N.V. uses a standard risk taxonomy that includes all material risks. It is reviewed and updated on a yearly basis to ensure that all material risks are identified, defined and fed into the risk governance framework. Fortis Bank Nederland (Holding) N.V.'s current risk taxonomy is summarised in the following chart.



A detailed explanation of each risk type is provided in the descriptions of the related risk management framework and process (as from 5.4).

5.3 Risk management organisation

Fortis Bank Nederland (Holding) N.V. has designed its risk management structure to enable the implementation of its risk strategy. In addition, this risk organisation structure is designed to ensure:

- Clear responsibility and accountability regarding risk management;
- Independent risk management functions;
- Adequate resourcing and well-trained risk management functionaries;
- Transparent and coherent risk-related decision-making throughout the bank, taking into account all types of risk Fortis Bank Nederland (Holding) N.V.'s risk taxonomy distinguishes.

5.3.1 Risk management responsibilities

Overall responsibility for the risks of Fortis Bank Nederland (Holding) N.V. rests with the Management Board. The Management Board validates and approves Fortis Bank Nederland (Holding) N.V.'s risk philosophy and risk strategy. For this, the Board uses a clear definition of risk attitude, level of risk tolerance and desired risk appetite.

Fortis Bank Nederland (Holding) N.V. has entrusted the execution of risk strategy to its Management Board. The Management Board has the responsibility to decide on risk management policies. The Management Board is also responsible for implementation of adequate governance structures and maintains oversight of risk at bank-wide level.

Risk management functions collectively operate in one single department, which has been created to support the Management Board in exercising its duties.

Risk structures, methods and processes are organised such as to provide an efficient apparatus for proactive risk management.

The Risk organisation performs the following tasks:

- Measurement, analysis, and limiting of risks;
- Setting risk method standards;
- Development and implementation of internal models for risk evaluation of products and processes;
- Portfolio analyses based on a range of risk issues;
- Ongoing monitoring and improvement of core processes, e.g. risk-based pricing tools;
- Regular or ad-hoc reporting on the current risk situation to management and risk committees;
- Ensuring the consistency and efficiency of all available risk related data on all aggregated levels (e.g. single transactions or divisions).

In doing so, the Risk organisation assumes two roles: an enabling and an assurance role. In its enabling role, the Risk organisation supports:

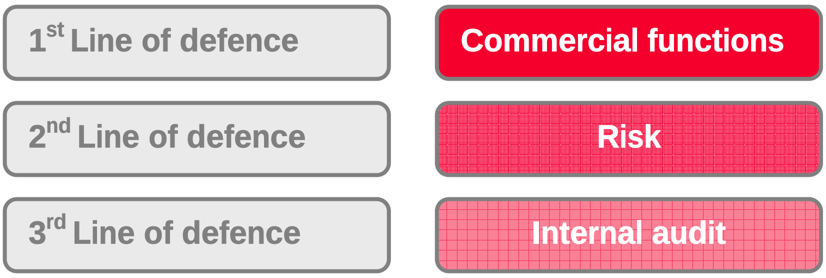
- major risk steering tasks by providing expert knowledge and regular assessment of existing and potential risk exposures;
- risk identification, measurement and the development of management strategies as well as the review, sanctioning, sign-off and execution of transactions.

In its assurance role, the Risk organisation:

- develops and maintains the risk governance framework;
- validates all risk measurement tools (including back testing);
- provides independent oversight and challenges the other bank functions with regard to risk-taking;
- identifies, manages, and balances the demands of different Fortis Bank Nederland (Holding) N.V.'s stakeholders and their agencies regarding risk management.

5.3.1.1 *Three lines of defence*

Fortis Bank Nederland (Holding) N.V. has structured its risk management function using three lines of defence.



The first line of defence concerns the commercial functions.
These are defined as the business representatives who:

- decide on the initial terms and conditions of a transaction;
- monitor factors that affect the risk/return of a transaction or portfolio in the context of profit and loss optimisation for their business.

The commercial functions are the first to ensure that Fortis Bank Nederland (Holding) N.V. does not suffer from unexpected risks. The commercial functions, at head office as well as at local level, are responsible for managing the full taxonomy of risks falling into their area of competence. They should have an excellent risk culture and risk awareness in place, reaching from top to bottom in their organisation.

The second line of defence is the Risk organisation. This is the risk management function, operating independently of the businesses, which:

- evaluates risk intake proposals in the context of bank policies, procedures and risk appetite of Fortis Bank Nederland (Holding) N.V.;
- monitors factors that affect the risk/return of a transaction or portfolio in the context of profit and loss optimisation for Fortis Bank Nederland (Holding) N.V.

In addition to the Risk organisation, other support functions also exercise risk management functions, such as: Legal, Compliance & Investigations and Tax.

Legal is the exclusive provider of legal services for Fortis Bank Nederland (Holding) N.V. and manages legal risks.

Compliance aims at stimulating, monitoring and controlling the observation of:

- laws;
- regulations;
- internal rules (including Fortis Bank Nederland (Holding) N.V.'s Principles of Business Conduct);
- ethical standards that are relevant to the integrity and reputation of the bank.

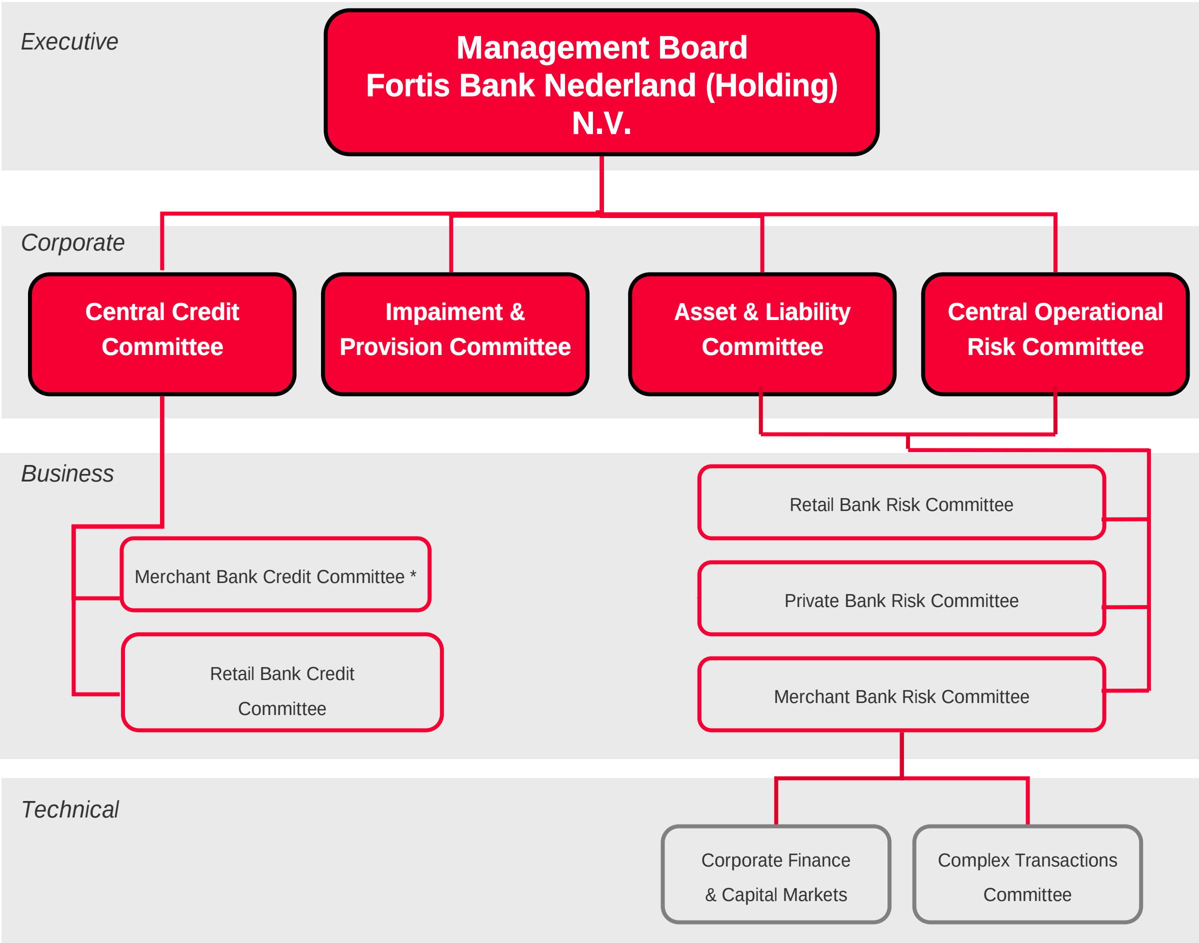
The Investigations function is part of Compliance. This is an independent function that assists in assessing fraud risk adequately, and contributes to fraud risk awareness.

The Tax Department is involved in monitoring the risk management and tax integrity of Fortis Bank Nederland (Holding) N.V. and its subsidiaries.

The internal audit function is the third line of defence. Fortis Bank Nederland (Holding) N.V. Audit Services (FAS) supports the achievement of Fortis Bank Nederland (Holding) N.V.'s objectives by providing professional and independent assurance. FAS evaluates the effectiveness of governance, risk management and control processes and recommends solutions for optimising them.

5.3.2 Fortis Bank Nederland (Holding) N.V. Risk Committee Structure

A comprehensive risk committee structure ensures that risk decisions are taken at the appropriate level.



** Comprises four chambers:*

1) *Commecial Banking/Corporate and Public Banking/Private Bank*
2) *Clearing, Funds & Custody.*
3) *Global Markets*
4) *Energy, Commodities & Tranportation/investment Banking*

The ultimate responsibility for the risks taken by Fortis Bank Nederland (Holding) N.V. rests with the Supervisory Board. In order to fulfil its risk mission, the Supervisory Board has the support of both the Risk and Capital Committee and the Audit Committee (AC). The day-to-day management of risks rests with the Management Board under the leadership of the Chief Risk Officer (CRO).

5.3.2.1 Executive Risk Committee

The Management Board acts as the Executive Risk Committee of Fortis Bank Nederland (Holding) N.V. The Management Board meets several times a week, having Risk Management on the agenda as a standard item. Major risk policies, limits, new activities etc. have to be approved by the Management Board. Four corporate committees with Management Board quorum, presided by the Chief Risk Officer, assist the Management Board in its function.

5.3.2.2 Corporate Risk Committees

The following Corporate Risk Committees support the Management Board in its tasks:

- the *Asset & Liability Management Committee* (ALCO) 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;
- the *Central Operational Risk Committee* (ORC) establishes norms, policies and measurement standards in relation to operational risk-linked exposure;
- the *Central Credit Committee* (CCC) 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 *Impairment and Provision Committee* (IPC) supervises worldwide Value Adjustments (VA) on a consolidated basis.

5.3.2.3 Technical Risk Committees & Platforms

These are the following:

- The *Corporate Finance and Capital Markets Committee* decides on market transactions such as debt and equity underwriting;
- The *Complex Transactions Committee* decides among other things on structured finance deals, securities lending and arbitrage structures and principal investments.

5.4 Credit Risk

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 otherwise fail to perform as agreed.

5.4.1 Credit Risk Management

Credit risk management within Fortis Bank Nederland (Holding) N.V. is governed by the bank's Credit Policy framework. This policy contains a set of principles, rules, guidelines and procedures for identifying, measuring, approving and reporting credit risk within Fortis Bank Nederland (Holding) N.V. The Credit Policy establishes a consistent framework for credit risk-generating activities, either through direct lending relationships or through other activities resulting in credit risk such as investment activities. The policy is subdivided into different categories: principles and framework, cross-business policies, business-specific policies and instructions. Following the decision taken in October 2008, to separate the banking activities of Fortis Bank Nederland (Holding) N.V. from those of Fortis SA/NV, Fortis Bank Nederland (Holding) N.V. initiated a review of its Credit Policy framework, taking into account the fact that hence forth, the lending (credit-related) activities of Fortis Bank Nederland (Holding) N.V. are no longer part of Fortis Group. This review process is expected to continue during 2009. Meanwhile, pending the completion of the aforementioned review and taking into account the specific circumstances of the de-merger of Fortis Bank Nederland (Holding) N.V. and Fortis Group, in some instances, specific restrictions have been imposed on the credit risk framework, in order to reflect the specific risk appetite and the operating scale of Fortis Bank Nederland (Holding) N.V. on a stand-alone basis.

5.4.2 The credit lifecycle

The basis for effective credit risk management is the identification of existing and potential credit risk inherent to any product or activity. This process includes the gathering of all relevant information concerning the products offered, the counterparties involved and all other 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 Bank Nederland (Holding) N.V. Master scale;
- analysis of the possibilities of fulfilling the counterparty's obligations by other means in the event that the counterparty fails to meet its obligations by itself;
- formulation of an independent and substantiated opinion.

Counterparty acceptance criteria are the conditions that Fortis Bank Nederland (Holding) N.V. applies to the acceptance of credit customers. These conditions reflect the generally acceptable credit risk profile that Fortis Bank Nederland (Holding) N.V. has defined. Fortis Bank Nederland (Holding) N.V. operates in accordance with sound, well-defined credit-granting criteria in order to protect its reputation and ensure its sustainability. Fortis Bank Nederland (Holding) N.V. 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).

Authorised 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. maximising 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 chance of 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 future, all other means must be applied in order to fulfil this counterparty's obligations towards Fortis Bank Nederland (Holding) N.V., such as selling or realising receivables, collateral or guarantees.

5.4.3 Credit risk exposure

Fortis Bank Nederland (Holding) N.V.'s overall credit risk exposure (before collateral held and other credit enhancements) is measured and presented as the principal amount of on-balance-sheet claims or off-balance-sheet potential claims on customers and counterparties, as at 31 December. Credit risk exposure is presented based on the classification in the balance sheet, as this most accurately reflects the nature and characteristics of the exposure.

	2008	2007	2006
Cash and cash equivalents (see note 13)	9,859	39,269	22,075
Impairments			
Total net Cash and cash equivalents	**9,859**	**39,269**	**22,075**
Assets held for trading (see note 14)			
Debt securities and treasury bills	477	148	180
Derivative financial instruments	6,736	7,133	4,195
Total assets held for trading	7,213	7,281	4,375
Impairments			
Total net Asset trading securities	**7,213**	**7,281**	**4,375**
Due from banks (see note 15)			
Interest bearing deposits	450	3,037	4,345
Loans and advances	5,354	1,334	769
Securities borrowing transactions	17,197	32,942	21,129
Other	1,301	1,456	829
Total Due from banks	24,302	38,769	27,072
Impairments	(30)	(1)	(1)
Total net Due from banks	**24,272**	**38,768**	**27,071**
Due from customers (see note 16)			
Government and official institutions	1,975	1,782	1,576
Residential mortgages	66,680	63,873	60,682
Consumer loans	3,152	3,193	4,892
Commercial loans	42,565	40,310	32,444
Securities borrowing transactions	8,307	20,811	23,493
Other	3,458	1,397	1,413
Total Due from customers	126,137	131,366	124,500
Impairments	(1,445)	(395)	(462)
Total net Due from customers	**124,692**	**130,971**	**124,038**
Interest bearing investments (see note 17)			
Treasury bills			4
Government bonds	30	81	1,962
Corporate debt securities	3,424	2,948	1,607
Structured credit instruments	10		
Total interest bearing investments	3,464	3,029	3,573
Impairments			
Total net Interest bearing investments	**3,464**	**3,029**	**3,573**
Other receivables (see note 18)	3,034	3,440	2,935
Impairments	(5)	(5)	(15)
Total net Other receivables	**3,029**	**3,435**	**2,920**
Total on balance credit risk exposure	174,009	223,154	184,530
Impairments	(1,480)	(401)	(478)
Total net on balance credit risk exposure	**172,529**	**222,753**	**184,052**
Off balance credit commitments exposure gross (see note 45)	55,203	53,589	57,491
Impairments	(15)	(6)	(11)
Off balance credit commitments exposure net	**55,188**	**53,583**	**57,480**
Total credit risk exposure gross	229,212	276,743	242,021
Impairments	(1,495)	(407)	(489)
Total credit risk exposure net	**227,717**	**276,336**	**241,532**

In 2008 the impairments increased due to credit risk provisions of € 972 million related to the Madoff fraud.

The off-balance sheet credit commitments exposure can be detailed as follows:

	2008	2007	2006
Credit related commitments			
Government and official institutions	617	604	394
Credit institutions	791	1,001	349
Corporate	38,510	33,538	41,203
Retail	9,286	10,614	9,422
Total	**49,204**	**45,757**	**51,368**
Credit related commitments given			
Guarantees and letters of credit	2,470	2,830	2,638
Banker's acceptances	124	58	63
Documentary credits	3,405	4,944	3,422
Total other credit commitments gross	**5,999**	**7,832**	**6,123**
Total other credit related commitments	**55,203**	**53,589**	**57,491**

Excluding the impact of the Securities lending portfolio, Due from customers increased by EUR 7.3 billion (7%) during 2008. This increase was mainly supported by Retail Banking and Institutional Banking where the growth was principally achieved on an increase in mortgages and commercial loans. Off-balance credit risk commitments are detailed in note 45.

5.4.4 Credit Risk netting arrangements

Financial assets and liabilities are offset and the net amount is reported on the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. However, Fortis Bank Nederland (Holding) N.V. may also enter into netting arrangements that do not meet the criteria for offsetting under IFRS.

The table below provides information on the existence of such non-qualifying rights at year-end as well as on non-qualifying master netting agreements that serve to mitigate the exposure to credit loss. The financial assets reported below are those that are subject to a legal right of set-off against financial liabilities when such assets are not reported in the balance sheet on a net basis.

	2008	2007	2006
Due from customers	9,421	8,443	6,547
Total credit exposure subject to a legally enforceable right of set-off	**9,421**	**8,443**	**6,547**
Trading assets	2,591	1,745	943
Interest bearing investments			166
Credit exposure reduced by virtue of a master netting arrangement	**2,591**	**1,745**	**1,109**

5.4.5 Credit Risk Concentration

Credit Risk Concentration is any exposure to a counterparty or an aggregate of exposures to a number of positively correlated counterparties (i.e. tendency to default under similar circumstances) with the potential to produce a significant amount of capital loss due to a bankruptcy or failure to pay. Avoidance of concentrations is therefore fundamental to Fortis Bank Nederland (Holding) N.V.'s credit risk strategy of maintaining granular, liquid and diversified portfolios.

To avoid a casual credit risk concentration, Fortis Bank Nederland (Holding) N.V. applies the concept of 'total one obligor'. This implies that groups of connected counterparties are considered to be a single counterparty in the management of credit risk exposure. To manage the concentration of credit risk, Fortis Bank Nederland (Holding) N.V.'s credit risk management aims to spread the credit risk across different sectors and countries.

The table below shows Fortis Bank Nederland (Holding) N.V.'s industry concentration of the customer credit portfolio as at 31 December.

	2008		2007		2006	
	Carrying amount Due from customers	*Total %*	*Carrying amount Due from customers*	*Total %*	*Carrying amount Due from customers*	*Total %*
Industry sector						
Agriculture, forestry and fishing	852	0.68%	956	0.73%	716	0.58%
Oil and gas	1,164	0.93%	1,634	1.25%	1,086	0.88%
Basic Metals	830	0.67%	1,213	0.93%	1,144	0.92%
Raw & intermediate materials	80	0.06%	396	0.30%	347	0.28%
Consumer goods	2,926	2.35%	2,021	1.54%	2,045	1.65%
Wood, pulp and paper products	219	0.18%	227	0.17%	231	0.19%
Technology, media and telecom	431	0.35%	417	0.32%	478	0.39%
Electricity, gas and water	1,759	1.41%	1,879	1.43%	1,363	1.10%
Chemicals, rubber and plastic products	1,136	0.91%	1,327	1.01%	1,103	0.89%
Construction and engineering	1,075	0.86%	835	0.64%	744	0.60%
Machinery and equipment	1,782	1.43%	1,631	1.25%	1,692	1.36%
Automotive	452	0.36%	552	0.42%	364	0.29%
Transportation	165	0.13%	81	0.06%	76	0.06%
Trade and commodity finance	4,310	3.46%	3,887	2.97%	2,794	2.25%
Retail	578	0.46%	819	0.63%	572	0.46%
Real Estate	6,966	5.59%	6,790	5.18%	5,601	4.52%
Financial Services	17,569	14.09%	30,219	23.07%	31,500	25.40%
Holdings & other services	5,188	4.16%	4,777	3.65%	4,187	3.38%
Public & social services	5,090	4.08%	5,019	3.83%	4,676	3.77%
Private persons	71,534	57.37%	65,804	50.24%	63,338	51.06%
Non-classified	586	0.47%	487	0.37%	(19)	-0.02%
Total Due from customers net	**124,692**	**100%**	**130,971**	**100%**	**124,038**	**100%**
Impairments	(1,445)		(395)		(462)	
Total Due from customers gross	**126,137**		**131,366**		**124,500**	

Two relatively significant concentrations of credit risk exposures are observed in the categories of 'Private persons' and 'Financial Services' with 57.4% and 14.1% respectively of the total. The first category consists mainly of residential mortgage loans and to a lesser extent of consumer loans. As for the second category – 'Financial Services', –this consists mainly of financial institutions including holdings, investment and insurance companies.

The table below provides information on the concentration of on-balance credit risk by location of Fortis Bank Nederland (Holding) N.V. entities as at 31 December.

	2008		2007		2006	
	Credit risk exposure on balance	*Percentage*	*Credit risk exposure on balance*	*Percentage*	*Credit risk exposure on balance*	*Percentage*
On balance						
The Netherlands	160,906	92.5%	202,925	90.9%	166,909	90.5%
Other European countries	11,013	6.3%	15,175	6.8%	11,967	6.5%
Asia	929	0.5%	3,719	1.7%	3,946	2.1%
Other	1,161	0.7%	1,335	0.6%	1,708	0.9%
Total on balance	**174,009**	**100.0%**	**223,154**	**100.0%**	**184,530**	**100.0%**

The table below provides information on the concentration of on-balance credit risk by location of customer and type of counterparty as at 31 December.

	2008		2007		2006	
	Credit risk exposure on balance	*Percentage*	*Credit risk exposure on balance*	*Percentage*	*Credit risk exposure on balance*	*Percentage*
On balance						
The Netherlands	118,665	68.2%	109,113	48.9%	104,362	56.5%
Other European countries	41,748	24.0%	84,592	37.9%	55,456	30.1%
Asia	2,549	1.5%	5,489	2.5%	4,004	2.2%
Other	11,047	6.3%	23,960	10.7%	20,708	11.2%
Total on balance	**174,009**	**100.0%**	**223,154**	**100.0%**	**184,530**	**100.0%**

In the following table, Government and Official Institutions include mandatory reserve deposits with central banks for EUR 549 million (2007: EUR 1.5 billion; 2006: EUR 829 million). Credit Institutions comprises Due from banks (including Cash & cash equivalents) and Debt securities issued by banks. Trading assets are reported in the column Other.

	Government and official institutions	*Credit institutions*	*Corporate customers*	*Retail customers*	*Other*	*Total*
31 December 2008						
On balance						
The Netherlands	2,347	3,798	35,603	70,805	6,112	118,665
Other European countries	34	25,732	12,059	383	3,540	41,748
Asia	27	1,756	550	14	202	2,549
Other	160	2,661	7,491	33	702	11,047
Total on balance	**2,568**	**33,947**	**55,703**	**71,235**	**10,556**	**174,009**
31 December 2007						
On balance						
The Netherlands	3,156	1,090	35,521	65,500	3,846	109,113
Other European countries	12	62,846	15,967	337	5,430	84,592
Asia	24	4,107	1,161	126	71	5,489
Other	147	6,914	14,207	41	2,651	23,960
Total on balance	**3,339**	**74,957**	**66,856**	**66,004**	**11,998**	**223,154**
31 December 2006						
On balance						
The Netherlands	3,724	887	31,217	67,014	1,520	104,362
Other European countries	515	36,089	14,606	829	3,417	55,456
Asia	26	3,309	479	185	5	4,004
Other	111	5,485	14,249	558	305	20,708
Total on balance	**4,376**	**45,770**	**60,551**	**68,586**	**5,247**	**184,530**

5.4.6 Country Risk

Country risk is defined as the risk that a counterparty is unable to meet its credit obligations due to political, social, economic or other events in a country. The countries' risk profile is regularly assessed based on an evaluation of the political, economic, transfer and convertibility risks.

Exposures to individual countries and cross-border exposure in aggregate are kept under continuous review. Allocation to the country limits is based on the country of residence of the borrower, the nature of the transaction and the existence of guarantees or collaterals that allow the transfer of country risk. Following the decision to separate Fortis Bank Nederland (Holding) N.V. from the Fortis Group, Fortis Bank Nederland (Holding) N.V. is in the process of developing a renewed and improved policy and infrastructure for the management of country risk.

5.4.7 Credit Risk rating

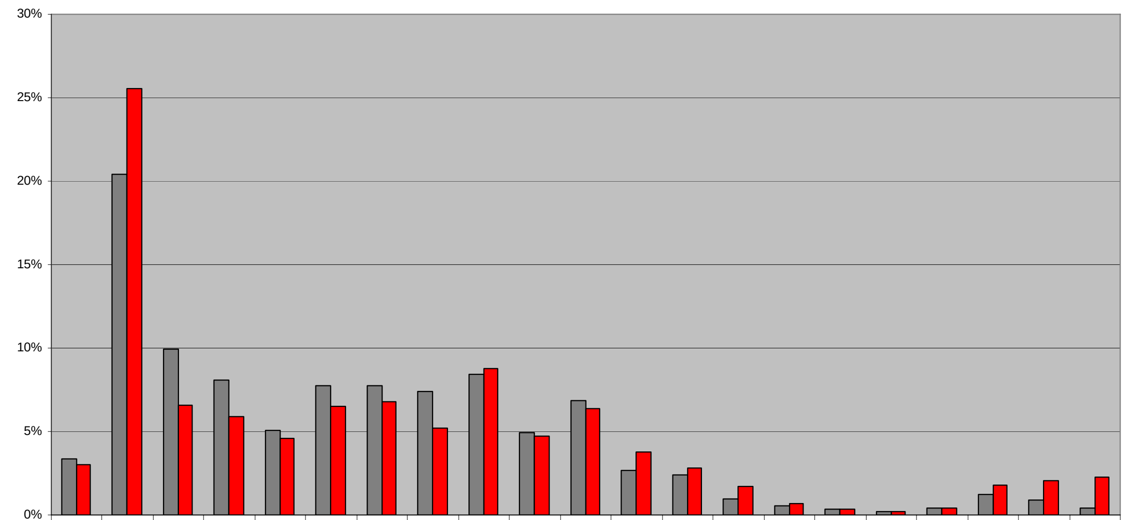
Credit Risk rating is the result of the Risk Rating Assignment Process, which is based on a qualified assessment and formal evaluation. This rating is the result of:

- an analysis of each obligor's financial history and estimation of its ability to meet debt obligations in the future;
- the quality and safety of an asset, based on the issuer's financial condition indicating the likelihood that a debt issuer will be able to meet scheduled interest and principal repayments.

The ultimate goal of the process is to calculate the Expected Loss within one year for every given borrower or asset.

Fortis Bank Nederland (Holding) N.V. has therefore drawn up a 'Master Scale', which ranges from 0 to 20 and gives an indication of the probability that a counterparty will default within one year. Master Scale ratings from 0 to 5 are considered investment grade, from 6 to 17 sub-investment grade and from 18 to 20 impaired loans.

The table below provides information on the quality of individually rated loans and off-balance-sheet credit commitments to customers (reverse repurchase agreements and securities lending transactions not included) according to the Fortis Bank Nederland (Holding) N.V. Master Scale model.



	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
2007	3.4%	20.4%	9.9%	8.1%	5.0%	7.7%	7.7%	7.4%	8.4%	4.9%	6.8%	2.7%	2.4%	1.0%	0.6%	0.3%	0.2%	0.4%	1.3%	0.9%	0.4%
2008	3.0%	25.6%	6.6%	5.9%	4.6%	6.5%	6.8%	5.2%	8.8%	4.7%	6.4%	3.8%	2.8%	1.7%	0.7%	0.3%	0.2%	0.4%	1.8%	2.0%	2.2%

The investment grade category (ratings 0 - 5) represents 52.2% of the loans and commitment portfolio in scope, the sub-investment grade category (ratings 6 - 17) stands for 41.8% of the loans while the impaired loans (ratings 18 – 20) amount to 6.0%.

The credit quality of Fortis Bank Nederland (Holding) N.V.'s debt securities in amounts by investment grade at as 31 December is presented below.

	2008		*2007*		*2006*	
	Carrying value	*Percentage*	*Carrying value*	*Percentage*	*Carrying value*	*Percentage*
Investment grade						
AAA	216	6.2%	28	0.9%	1,940	54.3%
AA			1	0.0%	508	14.2%
A	31	0.9%	35	1.2%	34	1.0%
Investment grade	247	7.1%	64	2.1%	2,482	69.5%
Unrated	3,217	92.9%	2,965	97.9%	1,091	30.5%
Total investments in interest bearing securities net	3,464	100.0%	3,029	100.0%	3,573	100.0%
Impairments						
Total investments in interest bearing securities gross	**3,464**		**3,029**		**3,573**	

5.4.8 Credit Risk mitigation

Risk mitigation is the technique of reducing the credit risk. Fortis Bank Nederland (Holding) N.V. primarily reduces credit risk by obtaining collateral. Security (collateral) is any commitment made or privilege given by a counterparty or third party to which Fortis Bank Nederland (Holding) N.V. can seek recourse in the event of the counterparty's default in order to reduce credit losses. The lending activity is never purely based on collateral. The risk mitigation factors are always regarded as a second way out.

Collateral and guarantees received as security for financial assets and commitments are as follows:

		Collateral received				
2008	*Carrying amount*	*Financial instruments*	*Property & equipment*	*Other collateral and guarantees*	*Collateral amounts in excess of credit exposure* [1]	*Unsecured exposure*
Cash and cash equivalents	9,859	6,748			4,201	7,312
Interest bearing investments	3,464	2,748		169		547
Due from banks	24,272	36,064	33	277	18,986	6,884
Due from customers						
Government and official institutions	1,972			163		1,809
Residential mortgage	66,638	431	86,476	581	23,382	2,532
Consumer loans	3,077	399	79	6		2,593
Commercial loans	41,256	30,901	11,363	3,821	27,652	22,823
Reverse repurchase agreements						
Securities borrowing	8,307	8,296		4		7
Other loans	3,442	3,996	1,430	90	2,173	99
Total due from customers	124,692	44,023	99,348	4,665	53,207	29,863
Other receivables	3,029			446		2,583
Total on balance	165,316	89,583	99,381	5,557	76,394	47,189
Total off balance	55,188	246	1,202	625	156	53,271
Total credit exposure	**220,504**	**89,829**	**100,583**	**6,182**	**76,550**	**100,460**
2007						
Cash and cash equivalents	39,269	10,234		1,372	8,673	36,336
Interest bearing investments	3,029	1				3,028
Due from banks	38,768	32,257	42	163	8,684	14,990
Due from customers						
Government and official institutions	1,780			126		1,654
Residential mortgage	63,835	254	75,907	960	14,822	1,536
Consumer loans	3,104	983	81	13	508	2,535
Commercial loans	40,058	6,127	9,068	2,974	1,642	23,531
Securities borrowing	20,811	20,798	5			8
Other loans [2]	1,383	3,487	(1,063)	367	1,881	473
Total due from customers	130,971	31,649	83,998	4,440	18,853	29,737
Other receivables	3,435	3		422		3,010
Total on balance	215,472	74,144	84,040	6,397	36,210	87,101
Total off balance	53,583	852	2,320	216	294	50,489
Total credit exposure	**269,055**	**74,996**	**86,360**	**6,613**	**36,504**	**137,590**

		Collateral received				
	Carrying amount	Financial instruments	Property & equipment	Other collateral and guarantees	Collateral amounts in excess of credit exposure [1]	Unsecured exposure
2006						
Cash and cash equivalents	22,075	10,070		1,103	8,744	19,646
Interest bearing investments	3,573					3,573
Due from banks	27,071	19,891	49	102	771	7,800
Due from customers						
Government and official institutions	1,574			78		1,496
Residential mortgage	60,638	457	72,981	1	14,587	1,786
Consumer loans	4,805	390	63	1,136	(1)	3,215
Commercial loans	32,118	8,198	9,248	1,430	4,170	17,412
Securities borrowing	23,493	14,675				8,818
Other loans [2]	1,410	2,978	(440)	152	1,510	230
Total due from customers	124,038	26,698	81,852	2,797	20,266	32,957
Other receivables	2,920	13		363	12	2,556
Total on balance	179,677	56,672	81,901	4,365	29,793	66,532
Total off balance	57,480	253	3,736	32	383	53,842
Total credit exposure	**237,157**	**56,925**	**85,637**	**4,397**	**30,176**	**120,374**

1) Collateral and guarantees received in excess of credit exposure equals the aggregated surplus of security received on an individual contract basis.

2) Other loans contains also macro hedging.

Collateral value is determined by means of a prudent valuation approach based on a range of criteria, including the nature and specific type of the collateral, its liquidity, and the volatility of its price. It also incorporates the forced sale context in which the collateral would be required to be realised and the degree of priority of Fortis Bank Nederland (Holding) N.V.'s rights. In addition to the above mentioned collateral Fortis Bank Nederland (Holding) N.V. has received collateral mainly relating to securities borrowing which it is permitted to sell or re-pledge.

5.4.9 Securitisations

Asset securitisation is the process of creating a marketable financial instrument that is backed by the cash flow or value of specific financial assets. During the securitisation process, assets (for Fortis Bank Nederland (Holding) N.V. solely Dutch mortgages) are selected and pooled into a special purpose vehicle (SPV) which issues securities sold to investors.

In order to support its business development while meeting regulatory capital requirements, Fortis Bank Nederland (Holding) N.V. has launched several securitisation programmes based on the Dutch residential mortgage portfolio, which amounts to EUR 38 billion as of year end 2008. The related securitisation vehicles are fully consolidated and hence, the securitised assets are reported on-balance in the Consolidated Financial Statements.

Out of the EUR 38 billion issued through securitisations launched by Fortis Bank Nederland (Holding) N.V., EUR 14 billion has been retained and is used for collateral-purposes. Asset backed notes regarding to securitized mortgages, with a value of EUR 24 billion, have been sold outside Fortis Bank Nederland (Holding) N.V.

The following securitisation programs are included at year-end 2008:

- Goldfish: Goldfish Asset Purchaser's sole activity is to acquire residential mortgage portfolios of Fortis Bank Nederland (Holding) N.V. and Fortis Hypotheek Bank as an asset purchaser. This entity is in a loan agreement with the Goldfish Master Issuer which issued mortgage backed notes. As per 31 December 2008 Goldfish held a mortgage portfolio of EUR 5.4 billion. Interest on the mortgage portfolio and the loan, as well as the other expenses, are swapped with the internal swap counterparty Fortis Bank Nederland (Holding) N.V., Fortis Direktbank and Fortis Hypotheek Bank. The Goldfish securitisation has no impact on a consolidated level;
- Dolphin: Dolphin Asset Purchaser's sole activity is to acquire residential mortgage portfolios of Fortis Bank Nederland (Holding) N.V. and Fortis Hypotheek Bank as an asset purchaser. This entity is in a loan agreement with the Dolphin Master Issuer which issued mortgage backed notes. As per 31 December 2008 the acquired mortgage portfolio amounts to EUR 18.2 billion. Interest on the mortgage portfolio and the loan, as well as the other expenses, are swapped with the internal swap counterparty Fortis Bank Nederland (Holding) N.V., Fortis Direktbank and Fortis Hypotheek Bank. The Dolphin securitisation has no impact on a consolidated level;
- Beluga: Beluga Asset Purchaser's sole activity is to acquire residential mortgage portfolios of Fortis Hypotheek Bank as an asset purchaser. This entity is in a loan agreement with the Beluga Master Issuer which issued mortgage backed notes. As per 31 December 2008 the acquired mortgage portfolio amounts to EUR 4.7 billion. Interest on the mortgage portfolio and the loan, as well as the other expenses, are swapped with the internal swap counterparty Fortis Hypotheek Bank. The Beluga securitisation has no impact on consolidated level;
- Delphinus: Delphinus' sole activity is to acquire residential mortgage portfolios of Fortis Hypotheek Bank as an asset purchaser. This entity is in a loan agreement with Fortis Hypotheek Bank which, issued mortgage backed notes. As per 31 December 2008 the acquired mortgage portfolio amounts to EUR 9.2 billion. Interest on the mortgage portfolio and the loan, as well as the other expenses, are swapped with the internal swap counterparty Fortis Hypotheek Bank. The Delphinus securitisation has no impact on a consolidated level;
- Solid: Solid's sole activity is to acquire residential mortgage portfolios of Fortis Hypotheek Bank as an asset purchaser. This entity is in a loan agreement with Fortis Hypotheek Bank which, issued mortgage backed notes. As per 31 December 2008 the acquired mortgage portfolio amounts to EUR 0.6 billion. Interest on the mortgage portfolio and the loan, as well as the other expenses, are swapped with the internal swap counterparty Fortis Hypotheek Bank. The Solid securitisation has no impact on a consolidated level.

5.4.10 Management of problem loans and impairments

Problem loans are exposures for which the counterparty has become impaired. They include exposures for which signals have been detected indicating that the counterparty may become impaired in the future.
Problem loans are classified into different risk categories for individual counterparties and arrears buckets for groups of aggregated counterparties in order to optimise monitoring and review of these loans. Problem loans with ratings 18, 19 and 20 according to the Fortis Bank Nederland (Holding) N.V. Master Scale have defaulted and are impaired. Other problem loans are still non-impaired. The accrued risk profile of problem loans makes it imperative that the Risk Management function is involved in handling these loans.

Past due credit exposure

A financial asset is past due if a counterparty has failed to make a payment when contractually due or if it has exceeded an advised limit or has been advised of a limit smaller than its current outstanding. Financial assets that have reached the 90-days past due trigger are automatically classified as impaired.

The table below provides information on the ageing of past due financial assets not classified as impaired (financial assets that have reached the 90-days past due trigger are therefore not included).

	Carrying amount of assets (not classified as impaired)	*< = 30 days past due*	*> 30 days & < = 60 days past due*	*> 60 days past due*	*Total*
2008					
Cash and cash equivalents	9,859				
Interest bearing investments	3,464				
Due from banks	24,278				
Due from customers					
Government and official institutions	1,970		26	105	131
Residential mortgage	65,961	740	261	226	1,227
Consumer loans	3,016	74	22	23	119
Commercial loans	40,348	847	201	366	1,414
Other	11,607	5	4	5	14
Total due from customers	122,902	1,666	514	725	2,905
Other receivables	2,982	445	72	80	597
Total	**163,485**	**2,111**	**586**	**805**	**3,502**
2007					
Cash and cash equivalents	39,268				
Interest bearing investments	1,214				
Due from banks	38,768				
Due from customers					
Government and official institutions	1,779			125	125
Residential mortgage	62,972	758	2	2	762
Consumer loans	2,983	92	24	19	135
Commercial loans	39,663	2,187	163	443	2,793
Other	22,118	19	3	6	28
Total due from customers	129,515	3,056	192	595	3,843
Other receivables	3,422	318	57	80	455
Total	**212,187**	**3,374**	**249**	**675**	**4,298**
2006					
Cash and cash equivalents	22,075				
Interest bearing investments	3,575				
Due from banks	27,071				
Due from customers					
Government and official institutions	1,573			88	88
Residential mortgage	59,820	640	42	67	749
Consumer loans	4,679	146	45	26	217
Commercial loans	31,599	997	139	821	1,957
Other	24,812	14	2	15	31
Total due from customers	122,483	1,797	228	1,017	3,042
Other receivables	2,914	239	76	103	418
Total	**178,118**	**2,036**	**304**	**1,120**	**3,460**

Collateral and guarantees received as security for past due but not impaired financial assets are detailed below:

		Collateral Received				
2008	*Carrying amount*	*Financial Instruments*	*Property & equipment*	*Other collateral and guarantees*	*Collateral and guarantees in excess of credit exposure* [1)]	*Unsecured exposure*
Due from customers						
Government and official institutions	131			127		4
Residential mortgage	1,226	2	1,266		238	196
Consumer loans	119	3	8	1		107
Commercial loans	1,414	1	322	58		1,033
Other loans	14	92			82	4
Total due from customers	2,904	98	1,596	186	320	1,344
Other receivables	598			370		228
Total past due credit exposure	**3,502**	**98**	**1,596**	**556**	**320**	**1,572**
2007						
Due from customers						
Government and official institutions	125			111		14
Residential mortgage	763	2	854	3	224	128
Consumer loans	135	6				129
Commercial loans	2,794	60	574	19		2,141
Other loans	28	284			262	6
Total due from customers	3,845	352	1,428	133	486	2,418
Other receivables	455			259		196
Total past due credit exposure	**4,300**	**352**	**1,428**	**392**	**486**	**2,614**
2006						
Due from customers						
Government and official institutions	89			4		85
Residential mortgage	749	2	860		128	15
Consumer loans	216	10	4	34		168
Commercial loans	1,957	96	263	48	2	1,552
Other loans	31	218			195	8
Total due from customers	3,042	326	1,127	86	325	1,828
Other receivables	418			335		83
Total past due credit exposure	**3,460**	**326**	**1,127**	**421**	**325**	**1,911**

1) Collateral and guarantees received in excess of credit exposure' equals the aggregated surplus of security received on an individual contract basis.

Impaired credit exposure

A financial asset is classified as impaired if one or more loss events are identified which have a negative impact on the estimated future cash flows related to that financial asset.

Events considered to be loss events include situations where:

- the counterparty is unlikely to pay in full its credit obligations to Fortis Bank Nederland (Holding) N.V., without recourse by Fortis Bank Nederland (Holding) N.V. to actions such as realising collateral;
- the counterparty has a material credit obligation which is past due for more than 90 days (overdrafts will be considered as being overdue once the customer has exceeded an advised limit or been advised of a limit smaller than that currently outstanding).

In practice, Fortis Bank Nederland (Holding) N.V. classifies loans as impaired in response to a series of obligatory and judgement-based triggers. Obligatory triggers result in the counterparty being classified as impaired and include bankruptcy, financial restructuring and 90 days past due. Judgement-based triggers include, but are not limited to, elements such as negative equity, regular payment problems, improper use of credit lines and legal action by other creditors. They could – but do not necessarily – result in the counterparty being classified as impaired.

Loan or Debt Restructuring is the change of one or more terms of an existing loan or debt agreement for economic or legal reasons related to the debtor's financial difficulties. The change can imply, among other things, modification of the repayment schedule and/or interest rate or an addition of sureties or borrowers. In order to limit losses, the change can imply that the creditor grant a concession to the debtor that he would not otherwise consider, e.g. an absolute or contingent reduction of interest rate, debt amount or accrued interest or a combination of the three. A loan or debt restructuring process in itself does not constitute a trigger for changing a loan’s status from impaired to normal; restructured loans or debts therefore retain their impaired status after restructuring. As a consequence, the performing loan portfolio (i.e. non-impaired) contains no material credit exposure with respect to such restructured loans or debts as at 31 December 2008.

Impairment for specific credit risk is established if there is objective evidence that Fortis Bank Nederland (Holding) N.V. will not be able to collect all amounts due in accordance with contractual terms. The amount of the impairment is the difference between the carrying amount and the recoverable amount, i.e. the present value of expected cash flows and the collateral value less selling costs, if the loan is secured.

The table below provides information on impairments and impaired credit risk exposure as at 31 December.

			2008			*2007*			*2006*
	Impaired outstanding	*Impairments for specific credit risk*	*Coverage ratio*	*Impaired outstanding*	*Impairments for specific credit risk*	*Coverage ratio*	*Impaired outstanding*	*Impairments for specific credit risk*	*Coverage ratio*
Due from banks	24	(24)	100.0%	1	(1)	100.0%			
Due from customers									
Government and official institutions	5	(2)	40.0%	3	(2)	66.7%	3	(2)	66.7%
Residential mortgages	718	(34)	4.7%	888	(24)	2.7%	845	(27)	3.2%
Consumer loans	136	(59)	43.4%	201	(82)	40.8%	201	(75)	37.3%
Commercial loans	2,218	(1,274)	57.4%	615	(225)	36.6%	829	(284)	34.3%
Other	158	(14)	8.9%	88	(13)	14.8%	93	(2)	2.2%
Total due from customers	3,235	(1,383)	42.8%	1,795	(346)	19.3%	1,971	(390)	19.8%
Other receivables	52	(5)	9.6%	18	(5)	27.8%	10	(15)	150.0%
Total on balance	3,311	(1,412)	42.6%	1,814	(352)	19.4%	1,981	(405)	20.4%
Total off balance	352		0.0%	85		0.0%	103		0.0%
Total impaired credit risk exposure	**3,663**	**(1,412)**	**38.5%**	**1,899**	**(352)**	**18.5%**	**2,084**	**(405)**	**19.4%**

The increase in impaired exposure was strongly influenced by the collapse of the Madoff investment funds.

Because of the indirect exposure of Fortis Bank Nederland (Holding) N.V. in Madoff related funds the impaired exposure increased by EUR 972 million. The remainder of the rise reflects the severe impact of the adverse economic circumstances on the loan portfolio.

The following table provides details on collateral and guarantees received as security for financial assets and commitments classified as impaired:

		Collateral Received				
2008	*Impaired outstanding*	*Financial instruments*	*Property & equipment*	*Other collateral and guarantees*	*Collateral and guarantees in excess of impaired credit exposure* [1)]	*Unsecured exposure*
Interest bearing investments						
Due from banks	24					24
Due from customers						
Government and official institutions	5			2		3
Residential mortgage	718		1,030		526	214
Consumer loans	136	1	6		2	131
Commercial loans	2,218	1	491	2		1,724
Other loans	158	383			227	2
Total due from customers	3,235	385	1,527	4	755	2,074
Other receivables	52			45		7
Total on balance	3,311	385	1,527	49	755	2,105
Total off balance	352					352
Total impaired credit exposure	**3,663**	**385**	**1,527**	**49**	**755**	**2,457**
2007						
Due from banks	1					1
Due from customers						
Government and official institutions	3				(1)	2
Residential mortgage	888	4	1,109	25	276	26
Consumer loans	201	4	6		1	192
Commercial loans	615		197	4		414
Other loans	88	153		(1)	67	3
Total due from customers	1,795	161	1,312	28	343	637
Other receivables	18			13		5
Total on balance	1,814	161	1,312	41	343	643
Total off balance	85		7			78
Total impaired credit exposure	**1,899**	**161**	**1,319**	**41**	**343**	**721**

		Collateral Received				
	Impaired outstanding	*Financial instruments*	*Property & equipment*	*Other collateral and guarantees*	*Collateral and guarantees in excess of impaired credit exposure* [1)]	*Unsecured exposure*
2006						
Due from customers						
Government and official institutions	3					3
Residential mortgage	845	5	873	30	133	70
Consumer loans	201	3	3			195
Commercial loans	829		182	7		640
Other loans	93	145			56	4
Total due from customers	1,971	153	1,058	37	189	912
Other receivables	10			15		(5)
Total on balance	1,981	153	1,058	52	189	907
Total off balance	103					103
Total impaired credit exposure	**2,084**	**153**	**1,058**	**52**	**189**	**1,010**

1) 'Collateral and guarantees received in excess of credit exposure' equals the aggregated surplus of security received on an individual contract basis.

The table below provides information on the duration of impairment, i.e. the period between the first impairment event of the financial asset and 31 December.

	< 1 year impaired	*> 1 year < 5 years impaired*	*> 5 years impaired*	*Total*
2008				
Cash and cash equivalents				
Interest bearing investments				
Due from banks	24			24
Due from customers				
Government and official institutions	2	3		5
Residential mortgage	604	113	1	718
Consumer loans	86	47	3	136
Commercial loans	1,852	325	41	2,218
Other	150	6	2	158
Total due from customers	2,694	494	47	3,235
Other receivables	51	2	(1)	52
Total on balance	2,769	496	46	3,311
Total off balance	195	157		352
Total impaired credit exposure	**2,964**	**653**	**46**	**3,663**

	< 1 year impaired	> 1 year < 5 years impaired	> 5 years impaired	Total
2007				
Cash and cash equivalents				
Interest bearing investments				
Due from banks	1			1
Due from customers				
Government and official institutions		3		3
Residential mortgage	620	268		888
Consumer loans	147	52	2	201
Commercial loans	226	334	55	615
Other	73	12	3	88
Total due from customers	1,066	669	60	1,795
Other receivables	16	2		18
Total on balance	1,083	671	60	1,814
Total off balance	22	62	1	85
Total impaired credit exposure	**1,105**	**733**	**61**	**1,899**

	< 1 year impaired	> 1 year < 5 years impaired	> 5 years impaired	Total
2006				
Cash and cash equivalents				
Interest bearing investments				
Due from banks				
Due from customers				
Government and official institutions		3		3
Residential mortgage	556	289		845
Consumer loans	146	55		201
Commercial loans	345	478	6	829
Other	93			93
Total due from customers	1,140	825	6	1,971
Other receivables	4	6		10
Total on balance	1,144	831	6	1,981
Total off balance	42	60	1	103
Total impaired credit exposure	**1,186**	**891**	**7**	**2,084**

Write-offs are based on Fortis Bank Nederland (Holding) N.V.'s latest estimate of its recovery and represent the loss that Fortis Bank Nederland (Holding) N.V. considers it will incur. Conditions for write-off may be that the obligor's bankruptcy proceedings have been finalised and securities have been exhausted, the obligor and/or guarantors are insolvent, all normal recovery efforts have been exhausted, or the economic loss term (i.e. the term within which all expenses will exceed the amount of recovery) has been reached.

Incurred but not reported impairments

Incurred but not reported (IBNR) impairments on loans represents losses inherent in components of the performing loan portfolio that have not yet been specifically identified.

The scope of the calculation of the IBNR impairments covers all financial assets found not to be individually impaired from the categories Due from customers, Due from banks and Trade Receivables. All related off-balance items such as unused credit facilities and credit commitments are also included.

The IBNR calculation combines the Basel II concept of expected loss on a one-year time horizon with intrinsic elements such as incubation period, macroeconomic factors and expert views.
IBNR is calculated on the performing loan portfolio of the banking businesses.

5.5 Market Risk

Market risk is the potential for loss resulting from unfavourable market movements, which can arise from trading or holding positions in financial instruments. Market risk can come from many different sources, including:

- interest rate fluctuations that affect bonds and other fixed-income assets;
- change in price level of securities which affect the value of trading and investment portfolios;
- foreign exchange fluctuations that affect future non-hedged cash flows;
- changes in volatility of interest rates or prices of security that affect the values of options or other derivatives;
- prepayment risk, deposit runs or other adverse customer behaviour linked to the evolution of market factors.

Market risk is broken down into two types: ALM risk and trading risk, depending on the purpose of the position taken. Positions taken with the aim of making short-term profit retain to trading risk; all other positions are addressed under ALM risk.

ALM Risk: the risk that the market value of assets net of liabilities decreases due to changes in interest rates, equity markets, foreign exchange rates or other market factors. The market value of assets, net of liabilities, is measured as an economic view of the company's equity. A decrease in the market value of assets net of liabilities directly decreases a company's total value, even if it does not suffer any losses on an earnings or cash-flow basis.

Trading risk: a trading portfolio is exposed to various sources of risk arising from changes in interest rates, foreign exchange rates, equity prices and commodity & energy prices, volatilities, spreads (bid/offer), credit spreads, dividend levels or other tradable characteristics. Trading risk is the risk of not anticipated change in the total value of the trading portfolio in response to fluctuations in these risk factors.

5.5.1 ALM Risk

ALM Risk Management

The mission of the ALM function is to support, on an accurate and timely basis, management's understanding of market risk exposures undertaken in Fortis Bank Nederland (Holding) N.V.'s balance sheet. This includes applying the concept of global limits to all types of market risk related to the balance sheet. ALM Risk focuses on changes in value and earnings due to the volatility in interest rates, exchange rates and share prices. Volatility in real estate prices and volatility in credit spreads are not taken into account in ALM Risk.

The ALM team operates centrally and is organised around four pillars: data gathering, modelling and measuring analysis, reporting and transfer price. The main responsibilities of the ALM team are:

- to establish a framework for risk management and control of all the banking activities with an inherent market risk;
- to ensure that global asset allocation is consistent with the strategy;
- to apply the concept of global limits to all types of market risk related to the banking book;
- to define the methodology for setting internal transfer pricing and to apply it to the different banking businesses;
- to closely monitor regulatory solvency, assess the evolution of solvency ratios and propose strategies concerning additional components of regulatory equity such as subordinated loans and hybrid financing.

ALM assesses the full balance sheet each month receiving all cash flows from within the bank. A dedicated ALM program is calculating the different measures including a range of exception reports. All changes in cash flows in a single month can be monitored to support full understanding of the position in comparison to previous reporting's. Based on the analysis of the current position, expected changes in future position, targets set by the Asset & Liability Committee and based on economic assumptions the ALM department will advise on hedge transaction within a fixed set of on- and off balance instruments to continuously steer the position within the set targets. The Operational ALCO is the main body to see to the execution of the transaction needed for managing the position.

ALM Risk Assessment
ALM risks are assessed, monitored and reported according to the following types of sub-risk: interest rate risk, foreign exchange risk (also referred to as currency risk) and equity securities risk.

The four main sources of interest rate risk are:
- repricing risk, due to a mismatch of interest rate repricing between assets and liabilities (usual mismatch);
- changes in the structure of yield curves (parallel, flattening or steepening shifts);
- basis risk resulting from the imperfect correlation between different reference rates (for example swap rates and government bond yields);
- optional as:
  - certain financial instruments carry embedded options (hidden or explicit) that will be exercised depending on movements in interest rates.

All figures in this section are before taxation.

ALM Risk measurement, monitoring and reporting

Interest Rate Risk
Fortis Bank Nederland (Holding) N.V. measures, monitors and controls its ALM interest rate risk using the following indicators:
- cash flow gap analysis;
- absolute duration of equity;
- interest rate sensitivity of the fair value of equity;
- Value at Risk (VaR);
- Short Term Earnings at Risk (STEaR).

Duration is an important indicator in managing interest rate risk. As duration measures the sensitivity of a parallel shift of the yield curve, the other indicators are used to measure other developments of the yield curve. Besides steering the value of equity, this also results in taking into account the developments in the net income. This also motivates additional measures as preventing long end positions on the curve to increase.

Cash Flow Gap Analysis
This 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.

The tables below show Fortis Bank Nederland (Holding) N.V.'s exposure to interest rate risk. The interest-sensitivity gap for a given time period is the difference between the amounts to be received and the amounts to be paid in that period.

Within Fortis Bank Nederland (Holding) N.V.'s activities, cash flows of assets and liabilities are classified by the expected repricing or maturity date, whichever is earlier. For assets and liabilities without maturity, the projected cash flows reflect the interest rate-sensitivity of the product. Products without maturity such as savings and current accounts have a significant part of the outstanding volumes that is stable on a long-term basis and considered to be long-term funding. The derivatives are principally used to reduce Fortis Bank Nederland (Holding) N.V.'s exposure to interest rate changes. Their notional value is reported separately in the table.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature are important factors in assessing Fortis Bank Nederland (Holding) N.V.'s exposure to changes in interest rates.

	<1 month	1-3 months	3-12 months	1-3 years	3-5 years	5-10 years	>10 years
At 31 December 2008							
Banking							
Assets	103,781	23,331	67,852	30,457	26,531	32,226	17,002
Liabilities	(105,369)	(32,230)	(64,820)	(33,744)	(23,345)	(25,498)	(12,919)
Gap Assets - Liabilities	(1,588)	(8,899)	3,032	(3,287)	3,186	6,728	4,083
Derivatives	1,741	612	(955)	2,149	(347)	(767)	(2,453)
Total Gap	**153**	**(8,287)**	**2,077**	**(1,138)**	**2,839**	**5,961**	**1,630**
At 31 December 2007							
Banking							
Assets	131,035	4,651	28,960	7,302	7,335	12,468	5,477
Liabilities	(134,578)	(6,644)	(27,744)	(8,425)	(5,979)	(4,889)	(1,838)
Gap Assets - Liabilities	(3,543)	(1,993)	1,216	(1,123)	1,356	7,579	3,639
Derivatives	8,940	(1,482)	(4,906)	2,267	1,039	(3,115)	(2,691)
Total Gap	**5,397**	**(3,475)**	**(3,690)**	**1,144**	**2,395**	**4,464**	**948**

A positive or negative amount means a net receiving (paying) position in this time bucket. As more liabilities than assets are repriced in the short term, the derivatives position clearly has a risk reducing effect on the total gap. The negative gap of EUR (8,287) million in 2008 (1-3 months) arisen as the Dutch State funded at short term the last three months of 2008. Funding provided by the Dutch State will be given longer term tenors in 2009 to further stabilise the funding position of Fortis Bank Nederland (Holding) N.V. moving forward. For further explanation on the Gap see also note 5.5.10.

Duration

Duration is a measure of the average timing of cash flows from an asset or a liability portfolio. It is computed on the basis of the market value (MV) of the cash flows (principal and interest). The MV is calculated based on the IRS curve.

Duration of equity is an application of duration analysis and measures Fortis Bank Nederland (Holding) N.V.'s consolidated interest rate sensitivity. It is measured as the difference between the market value of the future weighted cash flows generated by the assets and the market value of the future weighted cash flow from the liabilities. The duration of equity is an overall indicator of the mismatch in duration of assets and liabilities.

The main indicator for interest rate risk is the absolute value of the duration of equity of the MV or the basis point value. Duration of equity is the duration that should be attributed to the difference between the value of assets and the value of liabilities in order to make the total balance sheet insensitive to interest rate changes.

The following table shows the absolute mismatch between the weighted durations of assets and liabilities of the MV for Fortis Bank Nederland (Holding) N.V.

	2008	2007
Absolute value of the duration of equity	717	473

The absolute indicator of the duration of the MV increased due to the separation from Fortis Bank Belgium and the consequent transactions with the Dutch State concerning this separation.

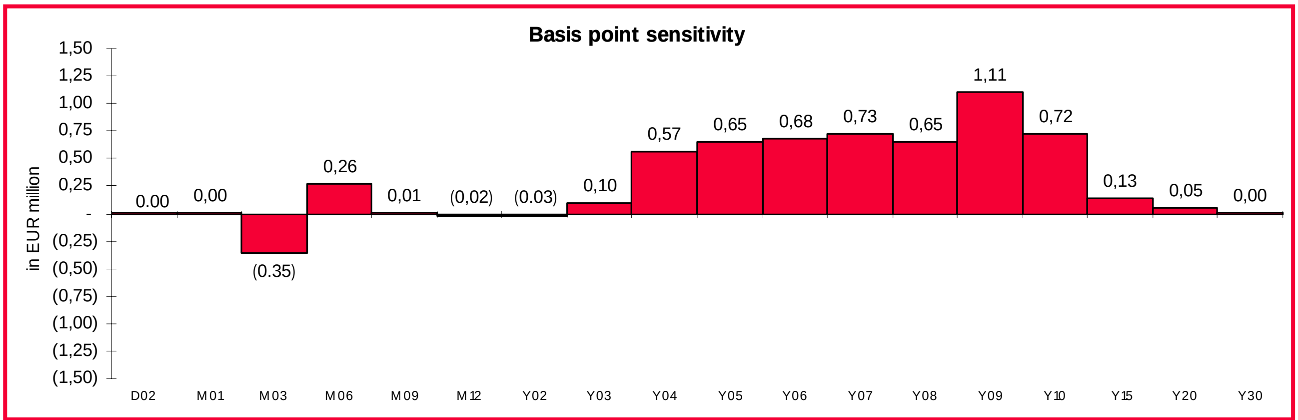
Interest rate sensitivity of the market value of equity

This approach consists of applying stress tests of +/- 100bp to the fair value of an instrument or portfolio.

The table below shows the impact of an approximate 100 basis-point parallel shift in the yield curve on the market value of equity, i.e. the market value of all assets minus the market value of all liabilities. A 100 bp parallel shift up results in a decrease of the market value of equity by EUR 717 million.

	+100bp	*-100bp*
Fortis Bank Nederland (Holding) N.V.	-717	717

The sensitivity is also calculated for the different tenors of the yield curve. The resulting basis point sensitivity indicates the value change of the market value of equity when a specific tenor changes 1 basis point (bp). This profile can be used to asses the sensitivity when yield curves do not shift parallel.



Value at Risk (VaR)

VaR is a statistical estimation that quantifies a possible maximum loss for a given probability and time horizon. Value at Risk is synonymous with money at risk and capital at risk. In principle, this concept could apply to all types of risks.

The table below shows the maximum loss in the event of a worst-case scenario[1] given a Value at Risk model (on a timeframe of two months and a confidence interval of 99%). This implies there is a 99% change that the decrease in market value as a consequence of interest changes the next two months is less then EUR 486 million.

	Fortis Bank Nederland (Holding) N.V.
Interest-rate risk	677

Short Term Earnings at Risk

Short Term Earnings at Risk measures the sensitivity of future IFRS net income to hypothetical adverse changes in interest rates or equity market prices. Short Term Earnings at Risk assesses the impact of stress tests on the projected IFRS net income before tax.

	Fortis Bank Nederland (Holding) N.V.
+100bp	(15.0%)
-100bp	15.0%

[1] Worst-case scenarios are based on assumptions linked to a probability distribution which takes into account 10-year historical observations.

An upward parallel shift of 100 bps results in a decrease of net interest income of EUR 92 million. Within Fortis Bank Nederland (Holding) N.V., the interest margin in the earnings at risk simulation is calculated with a constant duration of equity over the whole year. Earnings sensitivity at year-end 2008 was reduced significantly as a result of the transfer of the RFS Holdings participation to the Dutch State. The sensitivity of the 'Treasury & Trading' position is not within the ALM scope.

Currency Risk

Currency risk stems from a change in the exchange rate of that currency to the functional currency of Fortis Bank Nederland (Holding) N.V. (Euro).

No currency risk is taken in the ALM position due to the application of the following principles:
- loans and bond investments in currencies other than the functional currency of Fortis Bank Nederland (Holding) N.V. must be hedged by a funding in the corresponding currency.
- participating interests in currencies other than the functional currency of Fortis Bank Nederland (Holding) N.V. must be hedged by a funding in the corresponding currency. Fortis Bank Nederland (Holding) N.V.'s policy for its activities is to hedge via short-term funding in the corresponding currency where possible. Net investment hedge accounting is applied.
- the results of branches and subsidiaries in currencies other than the functional currency of Fortis Bank Nederland (Holding) N.V.'s activities are hedged on a regular basis (monthly or quarterly).

Exceptions to this general rule must be approved by ALCO. In 2008 Fortis Bank Nederland (Holding) N.V. had no exceptions.

ALM Risk – Stress Testing

When markets experience sudden, exceptional, or catastrophic events, a stress analyse is required in order to evaluate the underlying risk. ALM has developed a scenario analysis programme to identify and estimate various stressed market scenarios and their potential impact on the balance sheet value and on earnings.

Stress scenario analysis is performed on a quarterly basis for both Earnings and Value Reporting. There are no formal limits in place based on those. ALM currently looks at the market risk of the Banking book of the balance sheet: interest rate risk, currency risk and equity risk in the Banking book.

ALM therefore designed its stress tests only on the basis of these three underlying risks. Precise volatility has not been integrated into the scope.

With a view to managing its risks adequately, Fortis Bank Nederland (Holding) N.V. analyses the results of its internal measurement systems, expressed in terms of the change in economic value relative to capital, using a standardised interest rate shock.[2] The standardised stress test reflects only a rough estimation of the risks of the balance sheet.

ALM Internal Models for Stress Tests
Fortis Bank Nederland (Holding) N.V. has designed a common set of stress scenarios based on an internal model and a common methodology to all the different entities of Fortis Bank Nederland (Holding) N.V. The stress scenarios are based on a quantitative backward-looking model, taking into account six interest rate scenarios, in conjunction with moves in foreign exchange rates and equity market.

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[2] Fortis Bank Nederland (Holding) N.V. also provides these results to the regulators in order to facilitate supervisors' monitoring of interest rate risk exposures across institutions.

ALM Risk – Risk Mitigating Strategies

Within Fortis Bank Nederland (Holding) N.V., interest rate risk is mitigated using a range of different instruments, the most important of which are derivatives, primarily interest rate swaps and options. Interest rate swaps are used to change the linear risk profile caused mainly by long-term assets such as fixed-rate mortgages and long-term liabilities, e.g. subordinated liabilities. Options are used to reduce the non-linear risk, which is caused mainly by embedded options sold to clients, e.g. caps and prepayment options.

As a result of a hedge, the economic impact of changes in the hedged item's net present value (NPV), caused by changes in the appropriate benchmark interest rate curve, is reduced by offsetting changes in the NPV of the hedging derivative financial instrument.

The risk being hedged is the interest rate risk, specifically fair value changes of fixed rate assets and liabilities due to changes in the designated benchmark interest rate. The designated interest rate is the rate prevailing in the hedging instrument, so that any changes in fair value of the hedged item due to credit risk above that inherent in the hedging instrument are excluded from the hedged risk.

Due to the strict rules governing the use of hedge accounting, not all economic hedges covering Fortis Bank Nederland (Holding) N.V. interest rate risk exposure qualify as hedges under IFRS. For example, options used for economic hedging do not qualify as hedges. This means that, although an economic hedge exists, for accounting purposes Fortis Bank Nederland (Holding) N.V. will bear the impact of the changes in the fair value of these options in profit or loss. This is the case, for example, for floating-rate mortgages where the caps are hedged using options. The fact that these options do not qualify as hedges under IFRS will lead to additional accounting volatility in profit or loss.

The table below gives an overview of the portfolio hedge accounting applied to ALM positions at year-end 2008. Shown are the notional amounts, Market to market values and the Basis Point Sensitivities for the hedges items (mortgages) and the hedging instruments (payer swaps).

Hedged items	*Hedging instruments*	*Hedged risk* [1)]
mortgages	payer swaps	21.6

The ALM derivatives position at 31 December 2008 was characterised by a potential impact of EUR 21.6 million (before taxation) by a 1-bp yield curve shift. Portfolio hedging reduced most of this profit or loss volatility. During 2008 a value change for derivatives of EUR -2,343 million was mitigated by applying Fair Value hedge accounting.
At year end-2008 the open derivatives accounting position was EUR 0.2 million (before taxation) for a 1-bp yield shift.
The basis point sensitivity of the open accounting position reduced during 2008. This decline was realised by a restructuring of the derivatives position in the third quarter of 2008. These developments resulted in a positive effect of EUR 117.1 million. ALM successfully managed to gradually reduce the basis point sensitivity to only 3 bp, by continuously improving the hedge-relationship between mortgages and derivatives (macro hedge accounting designation). There will, however, always be a certain amount of sensitivity.

5.5.2 Trading Risk

Trading risk refers to the potential losses resulting from unfavourable 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 Bank Nederland (Holding) N.V.'s trading risk activities are primarily focused on client-related trading activities.
Trading risk is limited to the global markets activities of Fortis Bank Nederland (Holding) N.V. and complies with the general risk strategy. Specifically, it is a part of the bank 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.

Trading risk management

Risk-taking is based on the Fortis Bank Nederland (Holding) N.V. Risk structure: risk management organisation, risk policies and risk decision procedures. Independent risk management provides information about the risk profile to the Merchant Banking Risk Committees, the ALCO and the Board. Integrated risk management systems are in place in order to analyse and measure the variety of risk systematically.

Risk taking is based on the Fortis Bank Nederland (Holding) N.V. Risk structure: risk management organisation, risk policies and risk decision procedures. Independent risk management provides information about the risk profile to the Merchant Banking Risk Committees, the ALCO and to the Management Board. Integrated risk management systems are installed in order to analyse and measure the variety of risk systematically.

Fortis Bank Nederland (Holding) N.V. 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.

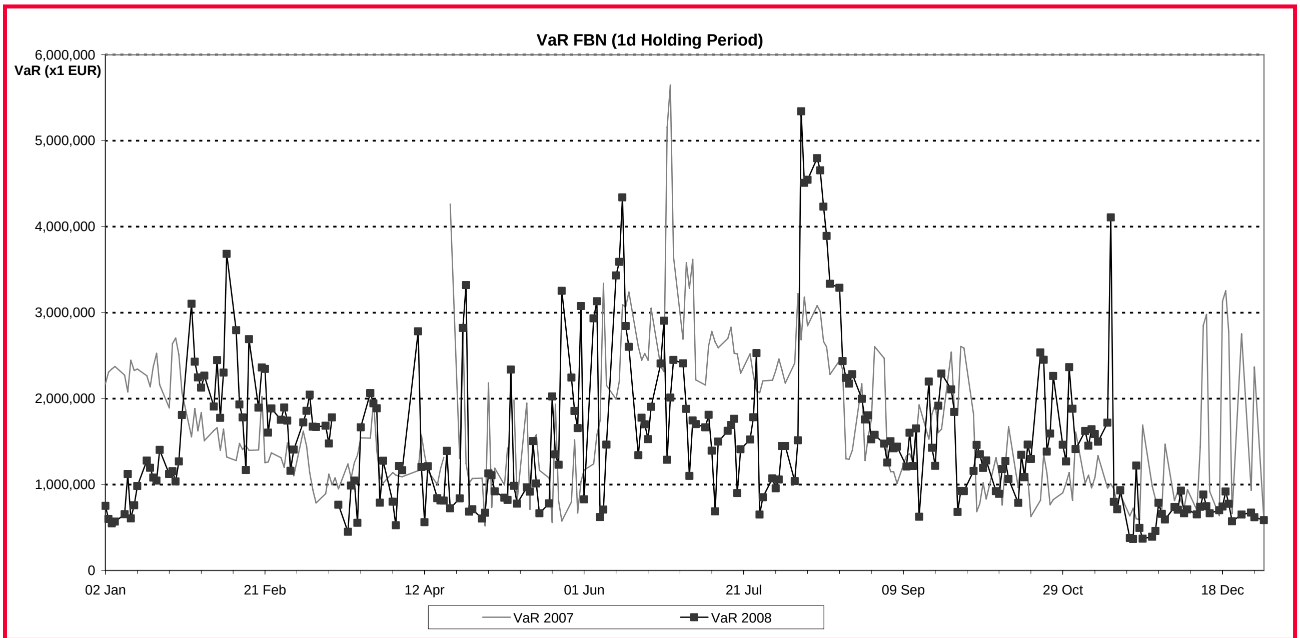
Trading risk measurement and monitoring

Fortis Bank Nederland (Holding) N.V. applies the Value at Risk (VaR-method based) 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. This system supports the following trading risk management functions:

- official (end-of-day) Mark to Market (MtM) revaluation;
- stress testing and sensitivity analyses;
- back-testing.

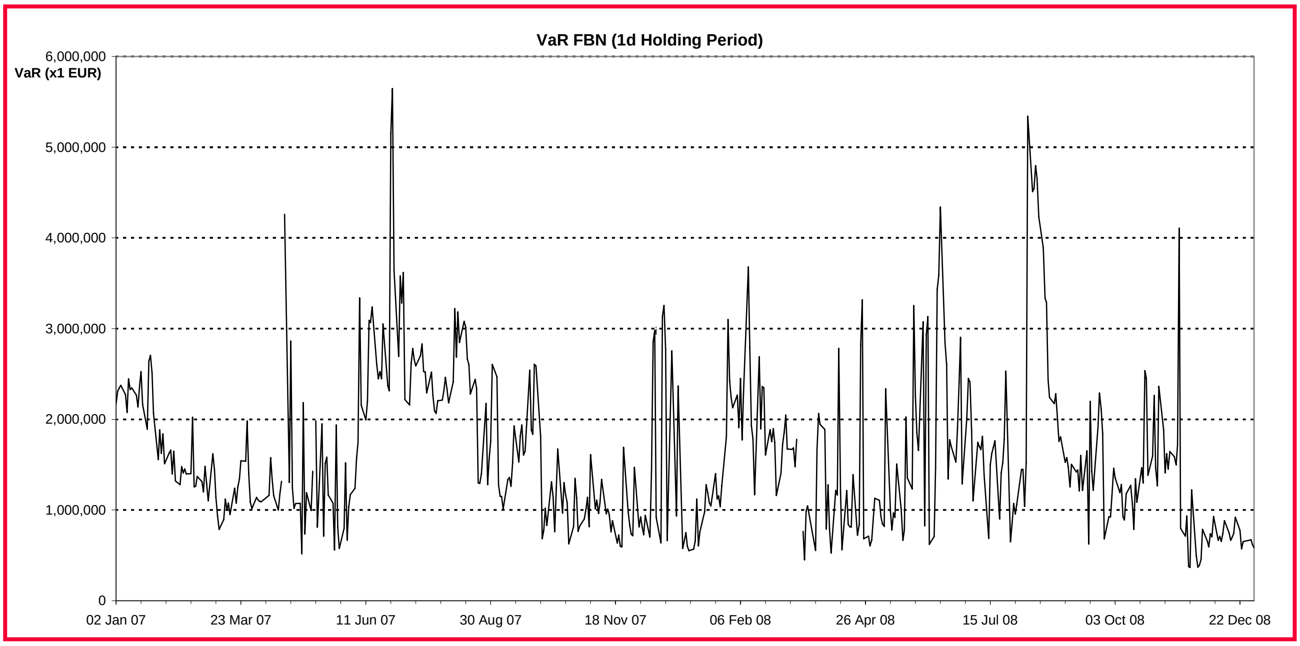
Value at Risk including all Risk factors (in EUR)



	2008	2007	2006
VaR as of 31 December	0.6	0.6	2.3
Highest VaR	5.3	5.6	5.0
Lowest VaR	0.4	0.5	0.9
Average VaR	1.6	1.7	2.3

In 2008, Fortis Bank Nederland (Holding) N.V. took on average less risk exposure than in 2007.

Linear Value at Risk by risk factors (in EUR)



The use of historical VaR in the management of trading risk
Historical VaR assuming 1 holding day period and at a 99% confidence level is monitored in the daily risk reporting and used to calibrate the risk limits.

For the regulatory capital calculation according to the Basel II framework -Internal Models Approach- the VaR calculations are based on a holding period of 10 days. Fortis Bank Nederland (Holding) N.V. addresses this by freezing the portfolio, while applying the actual 10-day market data returns (for regulatory capital purposes).
The economic capital of Fortis Bank Nederland (Holding) N.V. is based on a VaR relative to a 1-year holding period (obtained by applying a scaling factor of square root (250) to the 1-day VaR) and an upscale of the confidence level from 99% to 99.97%. It does not include Event VaR.

The limits framework
Decisions about limits and other risks are taken based on four principles:

- exposures only result in restricted volatility of income;
- new limits/products/activities add value to global markets performance;
- diversification of revenues.
- limits will only be granted if the exposures under these limits can be determined, monitored and reported by Risk Management.

Market risk limits are based on:

- a policy of maximising diversification of (market) risk-related activities;
- business focus (trading or client driven);
- type of trading activity (high/low volatility of prices);
- performance diversification effects;
- past performance, volatility of results and budgeted income;
- risk/return ratio;
- risk appetite;
- operational organisation;
- (risk) systems/infrastructure available.

Risk management differentiates between hard and soft limits in terms of the level of importance:

- *Hard limits* are approved by the Merchant Bank Risk Committee (MBRC) and ALCO[3] and monitored by both Risk Management and Market Risk. In general these limits are set at higher aggregation levels (VaR, Stress) supplemented with limits specific to the activity. Hard limits are not to be exceeded;
- *Soft limits* are used for micro-risk management purposes and consist of a tool that the business decides for itself at a lower organisation level to ensure compliance with hard limits.

In terms of limits, another differentiation can be made based on the objective of the measurement:

- *VaR limits* exist to cap the bank's potential losses under normal market circumstances. At Fortis Bank Nederland (Holding) N.V., VaR is defined as the expected maximum loss over a 1-day holding period within a 99th percentile, one-tailed confidence interval;
- *Position limits and Stress limits* are more relevant in the case of extremely low volatility and are supplementary to VaR limits.

All positions, VaR and other risk limits are reviewed once a year. The review covers the average limit use, past performance, volatility of income and the new budget.

Hard limits and position limits are not the business line's own micro limits (per desk, per dealer, etc.) and are therefore monitored and reported on by Risk Management on a daily basis.

Risk Management always reports limit overruns to the CEO and the CRO of Merchant Banking, the CEO of GMK, Audit and the Head of Market Risk within Central Risk Management. In Fortis Bank Nederland (Holding) N.V., overruns are also reported to the local representatives of Central Risk Management.

Trading risk stress testing

Historical VaR is a statistical model used to predict possible future outcomes of normal markets under normal circumstances. To predict possible outcomes of abnormal markets under abnormal circumstances, Fortis Bank Nederland (Holding) N.V. simulates extreme scenarios.

These extreme scenarios can either be historical or hypothetical. The historical ones can replicate past scenarios and account for situations that were recorded further in the past, e.g. the 1994 bond crisis. The hypothetical scenarios allow Fortis Bank Nederland (Holding) N.V. to simulate new shocks with unforeseen magnitudes.
The different scenarios are assessed on a regular basis and, when appropriate, are updated and extended.

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[3] *ALCO: Assets and Liabilities Committee.*

The profit or loss figure obtained from the tests is further detailed for different levels of the global markets structure. Stress testing aims to make management aware of the risks (and income statement consequences) of extreme, abnormal movements of market variables. As a result, stress testing 'early warning signals' has been set up enabling all stakeholders to:

- have the same approach towards the entity risk appetite;
- be warned simultaneously;
- decide on remedial actions.

If stress testing results exceed the early warning signals, they are considered to be triggers for management action.

Trading risk back testing
Once the VaR has been calculated, the validity of the output is tested. This is done through back testing, where Value at Risk forecasts are compared with the calculated market-to-market change using daily market data variation. The number of outliers is benchmarked with statistical metrics to determine the reliability of the VaR model.
Back testing measures -on a one-year rolling window- the number of losses exceeding the VaR prediction given a confidence interval of 99%. It means that such losses should occur once every 100 days. Back-testing analysis revealed that Fortis Bank Nederland (Holding) N.V. achieved this target in 2008.

5.6 Liquidity Risk

Liquidity risk is the risk that actual (and potential) payments or collateral posting obligations can not be met when they are due. It has two components, described below.

Funding liquidity risk is the risk that expected and unexpected cash demands of deposit, policyholders, and other contract holders cannot be met without suffering unacceptable losses or without endangering the business franchise.

Market liquidity risk concerns the inability to realise assets due to inadequate market depth, or market disruption. As such it is related to market risk to a certain extent. Market liquidity risk is the sensitivity of the liquidity value of a portfolio due to changes in the applicable haircuts and the change of market value. It also concerns the uncertainty of the timescale necessary to realise the liquidity value of the assets.

5.6.1 Liquidity risk organisation

As of 6 October 2008 the organisation of Fortis Bank Nederland (Holding) N.V. has changed significantly. The Liquidity Risk Management department was reorganised and became part of the Balance Sheet & Capital department in order to combine ALM, Capital Management, Asset Based Funding activities and Liquidity Risk Management. Also a Group Treasury function was created, working in close collaboration with the Liquidity Risk Management team. Liquidity Risk Management is part of the Risk organisation. The Group Treasury has a dual reporting line towards CRO and CFO to make it both independent and highly visible within the organisation.

The Liquidity Risk Management department is in control of making policies and monitoring all liquidity flows within Fortis Bank Nederland (Holding) N.V. It also sets limits and defines the necessary liquidity cushion, the open maturity calendar and the way to define the cushion of cash or near cash; all subject to ALCO approval. The Group Treasury function is responsible for all execution that is required to maintain Fortis Bank Nederland (Holding) N.V. liquid as set by policy.

5.6.2 Pre Separation

Before the separation, Fortis Bank Nederland (Holding) N.V. was clearly an asset driven bank to optimise the strength of Fortis Group: Asset gathering within Fortis Bank Nederland (Holding) N.V. and Liability gathering within Fortis Bank and Fortis Bank Luxemburg. Thereto Fortis Bank Nederland (Holding) N.V. took in significant funding from Fortis Bank. To maintain a strong liquidity profile because of this speciality, Risk Department of Fortis Bank Nederland (Holding) N.V. took always cash using longer terms (up to one year for short term limited by a One Year Equivalent). This longer term financing was available for Fortis Bank Nederland (Holding) N.V. during the course of 2008 and up to the moment Fortis Bank Nederland (Holding) N.V. was bought by the Dutch State. Fortis Bank Nederland (Holding) N.V. suffered slightly from weakened client trust and limited cash outflow during one week in July and at the end of September, but never faced significant outflows from its retail network.

5.6.3 Separation

In the first weekend of October it was decided that funding for Fortis Bank Nederland (Holding) N.V. was no longer granted by Fortis Bank. The Dutch State (the Dutch State Treasury Agency (DSTA) agreed to take over the money market funding as well as part of the longer term funding previously supplied by Fortis Bank. During the first week of October the Dutch Central Bank assisted the Treasury to take over EUR 34 billion of short terms (up to one year) of funding contracts from Fortis Bank. The DSTA has been acting as a main funding party vis-à-vis Fortis Bank Nederland (Holding) N.V. since mid October. Besides the Money Market funding also longer term funding and subordinated loans where transferred from Fortis Bank to the DSTA. Some of these loans have been repaid before year end as part of the sale of the participation in RFS Holdings to the Dutch State.

Wherever possible, several smaller funding relationships between (legal entities of) Fortis Bank Nederland (Holding) N.V. and entities of Fortis Bank have been identified and are ended. By the end of the year only less significant funding relations exist, most of them to be run off early 2009.

The funding arrangement with the DSTA will continue in 2009.

5.6.4 Current Market and Fortis Bank Nederland (Holding) N.V. Liquidity outlook

The liquidity markets in 2008 showed an unprecedented change with significant impact on the position of Fortis Bank Nederland (Holding) N.V. Given the balance sheet of Fortis Bank Nederland (Holding) N.V. there is clear need for money market and capital market funding. Fortis Bank Nederland (Holding) N.V. is a major issuer of structured notes based on its solid Dutch mortgage portfolio. The market for this type of product however did virtually not exist in 2008. This hampered the execution of a main liquidity strategy to fund the balance sheet by issuing Mortgage Backed Securities to the market. During 2008 the ECB took up a role in absorbing eligible paper to fund banks. Fortis Bank Nederland (Holding) N.V. used this opportunity to improve its liquidity profile.

The markets are still seriously under pressure and term funding is scarce. However, very short funding has been available throughout the year at fair prices. Longer term funding might become available supported by state programs. The Dutch financial industry has collectively announced to participate in these state guaranteed funding programs.

Besides the capital and money market markets the credit market saw severe changes. This resulted for Fortis Bank Nederland (Holding) N.V. in a clear change in the growth of the Balance Sheet. The asset growth has become in equilibrium with the liability growth improving the future liquidity position.

Liquidity will remain a scarce resource in 2009 and possibly beyond. Fortis Bank Nederland (Holding) N.V. has rebalanced its balance sheet and will continue to do so moving forward. The shortage in funding currently supplied by the DSTA will be reduced by balance sheet management measures supported by the continuation of securitisation efforts. Also Fortis Bank Nederland (Holding) N.V. will participate in State Guaranteed Programs to utilise capital and money market funding opportunities.

5.6.5 Liquidity risk management

Liquidity Risk Management is a combination of managing funding resources while maintaining a portfolio of highly marketable assets that can be liquidated as a protection against any unforeseen interruption of cash flows. The Risk department has formulated a policy and framework for sound liquidity risk management. Its primary goal is to ensure that Fortis Bank Nederland (Holding) N.V. maintains sufficient cash and liquid assets to meet its current and future financial obligations at all times, in both normal and exceptional circumstances, for every currency in which it has an exposure for all its banking and holding companies, including special purpose vehicles.

Liquidity Risk Management pursues a strategy of adhering to internal and external practices of sound Liquidity Risk Management. Fortis Bank Nederland (Holding) N.V.'s liquidity profile is designed to ensure that the bank can meet its payments at all times.

The Fortis Bank Nederland (Holding) N.V. Management Board defines the risk appetite and strategy for all risk factors, including liquidity risk.
The Fortis Bank Nederland (Holding) N.V. Management Board delegates monitoring and acceptance of liquidity risk within a defined liquidity limit framework as follows:

- to the ALCO: Fortis Bank Nederland (Holding) N.V.'s structural liquidity risk management, defined by the Balance Sheet & Capital Management department and executed by Global Treasury;
- to the Balance Sheet & Capital Management department: the operational and contingent liquidity risk management of Fortis Bank Nederland (Holding) N.V. and execution thereof by Global Treasury.

Global Treasury is Fortis Bank Nederland (Holding) N.V.'s 'last resort lender', with ultimate access to the central banks or to professional financial markets. It has the final responsibility to fund all businesses of Fortis Bank Nederland (Holding) N.V., including itself and special purpose vehicles (SPV's).

5.6.6 Liquidity risk limits

Liquidity risk management in the first nine months of 2008 cannot be seen separately from that of the former parent company of Fortis Bank Nederland (Holding) N.V. In this operational model Fortis Bank Nederland (Holding) N.V. managed its liquidity profile through transactions with its parent company. Fortis Bank Nederland (Holding) N.V. maintained a maturity profile of its liabilities and debts to be coherent with sound liquidity management. In addition, Fortis Bank Nederland (Holding) N.V. is required to adhere to Dutch liquidity regulations. Besides the specific liquidity regulations Fortis Bank Nederland (Holding) N.V. had no formal limit framework on liquidity except for soft limits. The Liquidity Risk Policy for Fortis Bank Nederland (Holding) N.V. will be amended early 2009 to firmly set out internal limits on liquidity. Already several measures have been taken to improve the liquidity profile, amongst them the internal liquidity premium within the internal transfer price mechanism and a clear rule on growth of liquidity need per business line.

5.6.7 Liquidity risk reporting

In order to monitor the use of liquidity, the Risk department has created and implemented a reporting framework. Reporting takes place in close collaboration between Liquidity Risk Management and the Global Treasury for short-term liquidity risks and Liquidity Risk Management and ALM for medium-term liquidity risks. This enables the analysis of the liquidity profile of the different entities' balance sheets, including important financing vehicles in the form of SPVs. Special attention is also dedicated to securitised assets and their collateral value.

5.6.8 Contingency funding plan

The Contingency Funding Plan comes into effect whenever the liquidity position of Fortis Bank Nederland (Holding) N.V. is threatened by exceptional internal or external circumstances that could lead to a liquidity crisis. The plan is designed to enable Fortis Bank Nederland (Holding) N.V. to manage its liquidity sources without jeopardising its business, while limiting excessive funding costs.

During a crisis, adequate information flows are crucial to ensure prompt decision-making and to avoid undue escalation of issues. The contingency plan therefore ensures that internal communication flows remain timely, clear and uninterrupted. It also ensures that appropriate external communication flows provide assurance to market participants, employees, clients, creditors, regulators and shareholders; the Corporate Communications department is one of the units usually involved.

5.6.9 Exposure to funding sources

Customer deposits (retail, commercial, corporate) form an important part of the primary funding sources of the activities of Fortis Bank Nederland (Holding) N.V. Current accounts and savings deposits of retail customers, although payable on demand or at short notice, contribute significantly to the long-term stability of the funding base. This stability depends on maintaining depositor confidence in Fortis Bank Nederland (Holding) N.V.'s solvency and sound liquidity management. Professional markets are accessed on a secured and unsecured basis to attract short-term funding. Since the last quarter of 2008, the DSTA (Dutch State Treasury Agent) has played a major role in providing short-term liquidity to Fortis Bank Nederland (Holding) N.V. For 2009 a wide range of measures has been formulated to increase the funding sources. A main contribution will be the issue of programme funding. Reliance on unsecured borrowing is limited by means of the short-term limit system that puts a cap on unsecured position gaps. Monitoring of the issue of short and long-term paper is centralised and access to the financial markets is coordinated by Group Treasury.

5.6.10 Liquidity sensitivity gaps

The table below shows Fortis Bank Nederland (Holding) N.V.'s assets and liabilities classified into relevant maturity groupings based on the remaining period to the contractual maturity date. Demand and saving deposits are considered by Fortis Bank Nederland (Holding) N.V. as a relatively stable core source of funding of its operations and are reported in the column No maturity. The lines Non-financial assets and Non-financial liabilities include the balancing temporary amounts between trade date and settlement date in the column Up to 1 month and the breakdown by maturity of the accrued.

	Up to 1 month	*1-3 months*	*3-12 months*	*1-5 years*	*Over 5 years*	*No maturity*	*Total*
At 31 December 2008							
Assets							
Fixed rate financial instruments	12,859	2,665	4,516	11,444	72,551	261	104,296
Variable rate financial instruments	11,630	1,493	1,136	1,378	3,031	31,224	49,892
Non-interest bearing financial instruments	3,204	886	325	254	15,152	5,904	25,725
Non-financial assets	957	76	145	289	419	2,404	4,290
Total assets	**28,650**	**5,120**	**6,122**	**13,365**	**91,153**	**39,793**	**184,203**
Liabilities							
Fixed rate financial instruments	26,948	27,352	5,787	11,189	7,190	251	78,717
Variable rate financial instruments	5,634	247	3,631	6,299	19,472	42,299	77,582
Non-interest bearing financial instruments	1,016	471	341	558	88	15,481	17,955
Non-financial liabilities	2,481	439	280	515	686	2,529	6,930
Total liabilities	**36,079**	**28,509**	**10,039**	**18,561**	**27,436**	**60,560**	**181,184**
Net liquidity gap	**(7,429)**	**(23,389)**	**(3,917)**	**(5,196)**	**63,717**	**(20,767)**	**3,019**
At 31 December 2007							
Total assets	57,131	4,769	5,077	10,521	76,970	117,910	272,378
Total liabilities	56,910	13,298	18,891	40,820	13,212	106,829	249,960
Net liquidity gap	**221**	**(8,529)**	**(13,814)**	**(30,299)**	**63,758**	**11,081**	**22,418**
At 31 December 2006							
Total assets	22,133	8,110	6,127	22,063	51,309	100,007	209,749
Total liabilities	19,723	27,662	23,843	10,611	10,775	111,038	203,652
Net liquidity gap	**2,410**	**(19,552)**	**(17,716)**	**11,452**	**40,534**	**(11,031)**	**6,097**

The liquidity gap within Fortis Bank Nederland (Holding) N.V. can be split in two components. The gap itself is a result of a larger commercial asset book compared to the commercial liability book. This gap is currently financed using a mix of market and wholesale instruments. The Dutch state took over a significant amount of the funding after the Dutch State bought Fortis Bank Nederland (Holding) N.V. The second component of the gap is the maturity mismatch where the assets by nature of the balance sheet of Fortis Bank Nederland (Holding) N.V. tend to be contractually longer then the accompanying liabilities.

Currently the liquidity gap can be specified as follows:
- external money market funding: 12 billion, mainly very short term up to 1 month;
- DSTA money market funding: 34 billion, distributed evenly over a 10 month period;
- DSTA wholesale funding: 10 billion, mainly long term (> 1 year) based on EMTN program or senior notes contracts.

At the moment there is also a securitised mortgage portfolio of 40 billion which is externalised for 25 billion. The remaining 15 billion is held as eligible notes and is partly used within the ECB financing window and partially held as a safety cushion.

The liquidity gap poses a serious concern and has its duly senior management attention. The growth of the liquidity gap itself has been stopped and is currently shrinking based on a change in internal policy. The liabilities are currently developing faster than the commercial assets. The gap will continuously be closed by several measures, including -but not limited to- repurchase agreements, using eligible paper, money market funding, capital market funding, funding by DSTA.

Towards further stabilising the funding of Fortis Bank Nederland (Holding) N.V., in addition to the aforementioned balance sheet related action, a funding program has been launched in November 2008. This funding plan entails the following measures:
- a further optimisation of the assets in the balance sheet to gain additional eligible paper that can be used to create collaterised funding using the ECB tenders;
- a fully revised and partially new set of funding programs, like EMTN, CP, ECP by which funding can be tapped more easily in the money and wholesale markets. These programs are all developed to be able to be sustained by government guarantees;
- Fortis Bank Nederland (Holding) N.V. has started to present itself as a viable and strong financial institution towards the majority of European and global operating financial institutions. Additional market funding has already found its way towards Fortis Bank Nederland (Holding) N.V. as a result of this ongoing effort;
- the DSTA is continuing its funding towards Fortis Bank Nederland (Holding) N.V., enabling a strong funding base during the roll out of the different funding program initiatives.

If possible under the current markets circumstances, the liquidity maturity gap will be improved. Long term liabilities are extremely hard to obtain, albeit that the Dutch State has issued a long term guaranteed program that can and will be used by Dutch banks. The main remaining funding, however, will be raised up to one year. Fortis Bank Nederland (Holding) N.V. is committed to close the maturity gap further as soon as markets open up.
From a commercial point of view, the balance sheet of Fortis Bank Nederland (Holding) N.V. will continuously show a natural tendency to longer term assets (mainly mortgages) compared to its liabilities (saving deposits).

Based on the above and including some additional funding initiatives Fortis Bank Nederland (Holding) N.V. is anticipating to firmly reduce the current money market funding supplied by DSTA.

5.7 Operational risk

All companies including banks are subject to operational risk because of the uncertainty inherent in all business undertakings and decisions. This risk can be broken down into business risk and event risk.

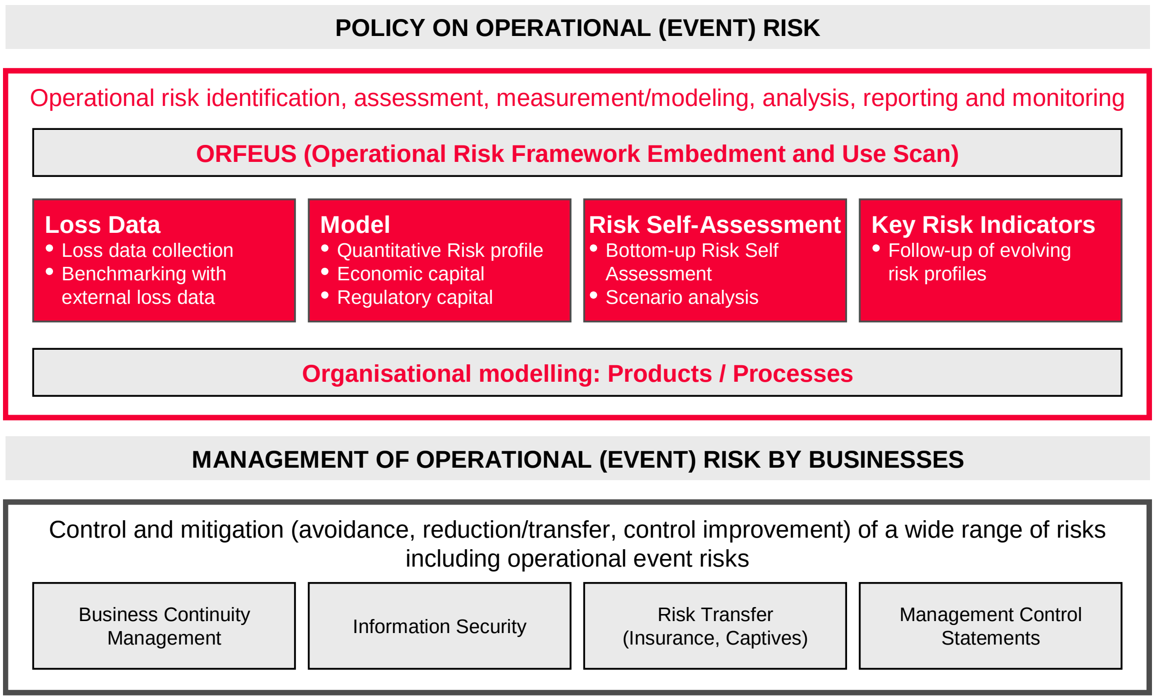
Business risk is the risk of ‘being in business’, which affects any enterprise, financial or non-financial. It is the risk of loss due to changes in the competitive environment that damage the franchise or operating economics of a business or due to an adverse effect of top-level decisions. Typically, the fluctuation originates with variations in volume, margins or costs. Business risk is thus mostly externally driven (e.g. by regulatory, fiscal, market and or competition changes, as well as strategic and reputation risks), but it can be mitigated to a certain extent by effective management practices.

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 and compliance risk, but excludes strategic and reputation risk. Event risk is often internally driven (internal and external theft and fraud involving employees, improper client intake, product flaws, improper business practices, as well as technological and infrastructure failures and other related malfunctions) and can be limited through management processes and controls.

5.7.1 Operational risk and management control

Fortis Bank Nederland (Holding) N.V. Central Risk Management has set up a framework for sound operational risk management and management control, covering all dimensions of operational risk. The operational risk and management control (ORMC) framework encompasses 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 framework is presented in schematic form below.



This framework helps the organisation to increase operational risk awareness, monitor operational risk effectively and measure the operational risk profile and associated own fund requirements. To enable such a high-level approach, an all-encompassing Risk Management Organisation and an appropriate Risk Management/Mitigation Policy have been consistently implemented for the entire bank, at legal entity and at business level. Global and local operational risk managers have been assigned to all bank-related businesses (including support functions) and relevant legal entities.

Each business and each relevant legal entity thus complies with the methodology and associated tooling, or has integrated its business approach into that framework. Key elements of responsibility allocation include the following:

- at business level: the business has prime responsibility for managing and mitigating operational event risks in its international operations. Adequate risk management requires the embedding of risk management procedures in the lower echelons of the organisation (on-site);
- at legal entity level: the legal entity is responsible for (local) coordination and support of risk management mitigation initiatives, communication with regulators and supervisors and reporting to its Risk Committee and/or Management Team;
- at the level of Fortis Bank Nederland (Holding) N.V.: Central Risk Management ensures that operational event risks are assessed, measured and managed across the banking businesses, and coordinates reporting to the appropriate risk committees (notably the Central Operational Risk Committee), the Management Teams of the businesses and the Management Board of Fortis Bank Nederland (Holding) N.V.

5.7.2 Operational risk assessment, measurement, reporting and monitoring

The following tools and techniques are used for the effective and efficient identification and management of operational event risks:

- **Loss data collection**: since 2001, the businesses have continuously registered loss data, including causal information, in a central loss database. Central Risk Management monitors the quality, completeness and timeliness of the registered information in a quarterly report and analysis;

- **Risk assessments** are conducted periodically at the businesses and support functions to ensure a forward-looking view on the operational risk profile. This consists of a bottom-up risk self-assessment aiming at identifying, assessing and measuring operational risks in the organisational and process context. Top-down scenario analysis supplements the risk profile with the more systemic and 'low frequency/high impact risks' the organisation is exposed to. Central Risk Management ensures the objectivity and comprehensiveness of the risk assessments by means of an in-depth quality review and results benchmarking with internal and external loss data profiles;

- **Key risk indicators** are tracked in order to identify any apparent changes in the organisation's operational risk profile due to organisational changes or changes in the business environment. They trigger re-assessments of the operational risk profile and ensure the organisation's responsiveness to a changing environment as well as a level of own funds that is in line with a changing operational risk profile;

- **Own fund requirements** are calculated at Fortis Bank Nederland (Holding) N.V. level using a model that complies with the criteria set by the advanced measurement approaches (AMA). Risk Assessment results are used as the primary input to ensure the level of own funds is in line with the organisational and business environment. Centrally calculated own funds requirements are allocated to the legal entities of Fortis Bank Nederland (Holding) N.V. and to the businesses using a risk-sensitive allocation mechanism based on stand-alone operational risk profiles.

Operational event risk-related information is reported, according to defined reporting lines, to various risk management units, e.g. risk management departments and committees at business level, to Central Risk Management and to the Central Operational Risk Committee. Managers use that information to control their operational risk profile.
In line with the Risk Management/Mitigation Policy and the guidelines of Central Risk Management, the tools and techniques for identification and management of operational risks have been implemented in the operations of Fortis Bank Nederland (Holding) N.V.

The operational event risk information with respect to Fortis Bank Nederland (Holding) N.V. is reviewed and analysed. Operational loss data is analysed quarterly and the own fund requirements that are calculated for Fortis Bank Nederland (Holding) N.V. and legal entities of Fortis Bank Nederland (Holding) N.V. are examined.

In addition to the focus on operational event risk, business risk (including strategic and reputation issues) is also within the scope of Operational Risk & Management Control. However, event risk and business risk – and thus their management – are intertwined:
- methods of risk assessment, control assessment and remediation of weaknesses are similar;
- results of the operational (event) risk self-assessments serve as input for the risk assessment performed by senior management, as part of the annual management control statement procedure that is coordinated by Central Risk Management of Fortis Bank Nederland (Holding) N.V.

5.7.3 Operational control and mitigation

Fortis Bank Nederland (Holding) N.V. has a variety of instruments to control and mitigate operational risk. Risk assessments, loss data analysis and key risk indicator movements enable the formalisation of actions to further control operational risks. These actions often relate to organisational and process context. Centrally coordinated operational risk mitigation techniques are business continuity management, information security measures, risk transfer measures and management control statements.

5.7.3.1 Business continuity management

Business continuity management (BCM) is a management process that identifies potential threats to an organisation and the impacts on business operations that those threats, if realised, might have, and that provides a framework for building organisational resilience with the ability to produce an effective response that safeguards the interests of its stakeholders, reputation, brand and value-creating activities.

As a financial services organisation, Fortis Bank Nederland (Holding) N.V. acknowledges the importance of BCM. The approach of the Fortis Bank Nederland (Holding) N.V. Business Continuity Management Policy is described in the "Structuurnota BCM", which is compliant with Dutch BCM regulations.

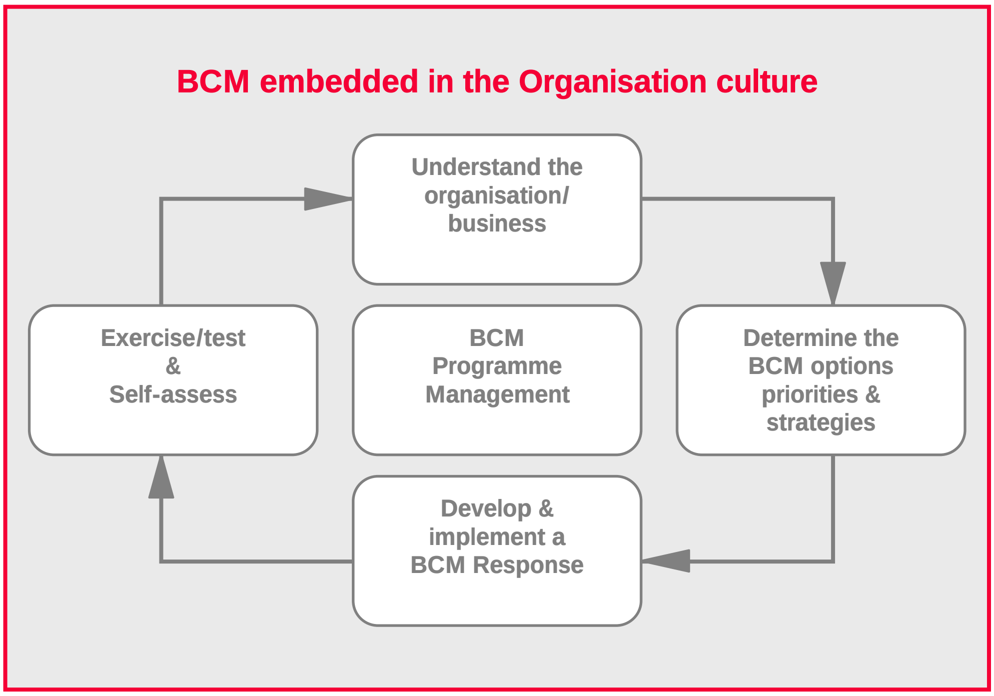
The "Structuurnota BCM" is based on international regulations and best practice guidelines as issued by:

- Basel Committee on Banking Supervision: High Level Principles for Business Continuity;
- The Business Continuity Institute: Good Practice Guidelines (BCI GPG);
- The British Standards Institute.[4]

The Scope of BCM at Fortis Bank Nederland (Holding) N.V. is:

- Internal: Fortis Bank Nederland (Holding) N.V. in all its dimensions (i.e. all Fortis Bank Nederland (Holding) N.V. businesses and support functions, all countries, all Fortis Bank Nederland (Holding) N.V. legal entities and subsidiaries);
- External: any third parties that process Fortis Bank Nederland (Holding) N.V. information or provide other vital services or products that support mission-critical Fortis Bank Nederland (Holding) N.V. services (external outsourcing).

The Fortis Bank Nederland (Holding) N.V. BCM approach entails the following steps:



[4] The Publicly Available Standard 56: Guide to Business Continuity (PAS 56) and the Standard BS25999-1: Code of Practice for Business Continuity Management.

The Fortis Bank Nederland (Holding) N.V. BCM approach is embedded in the organisational culture and implemented and maintained by BCM programme management, appropriate to the nature, size and complexity of the respective Fortis Bank Nederland (Holding) N.V. businesses to which it applies.

Information about the organisation’s critical services and the activities and resources required to deliver these services are subjected to business impact analysis and risk analysis in order to understand what is happening within the organisation.

Once BCM options and strategy are determined, a range of strategic and tactical options can be evaluated. This allows an appropriate response to be chosen for each critical service, so that Fortis Bank Nederland (Holding) N.V. can continue to deliver these services at an acceptable level of operation during and following any disruption. The choices will take cognisance of the resilience and countermeasures already present at Fortis Bank Nederland (Holding) N.V.

These actions result in the creation of a BCM response including plans that detail the steps to be taken to resume activities before, during and after an incident.

Business Continuity Plan

Crisis Management Plan	Business Recovery Plan(s)	Disaster Recovery Plan(s)

(What plans, process and organisational recovery structure is FBN(H) putting in place to manage a crisis and/or recover from a disaster within the set objectives?)

Recovery Solutions	Recovery Solutions
(What is FBN(H) putting in place as technical recovery resourses to ensure continuity of internal activities and internally outsourced activities?)	(What contractual BCM arrangements have been put in place with third Parties to ensure continuity of externally outsourced activities?)

At last, Fortis Bank Nederland (Holding) N.V. needs to be able to demonstrate that its strategies and plans are effective, credible and suitable for their purpose by exercising, testing and self-assessing the BCM response.

The “Structuurnota BCM” is updated annually and approved by the Management Board of Fortis Bank Nederland (Holding) N.V.

Fortis Bank Nederland (Holding) N.V. has a Business Continuity Team (BCT) in place that is chaired by the Chairman of the Management Board of Fortis Bank Nederland (Holding) N.V. A BCT Bureau supports the Business Continuity Team. The BCT Bureau is responsible for overall coordination of Business Continuity Management at Fortis Bank Nederland (Holding) N.V. and also has a monitoring role.

Each business and support function of Fortis Bank Nederland (Holding) N.V. has a business continuity organisation in place. The businesses and support functions have crisis management teams that are responsible for maintaining and testing the business continuity plan of their business or function. These teams are regularly trained to cope with crisis situations.

On the basis of information received from the businesses and support functions, the BCT Bureau creates an overview and reviews / monitors the Business Continuity organisation, implementation, testing, incidents and residual risks. The BCT Bureau is increasing the resilience of Fortis Bank Nederland (Holding) N.V. by organising adequate training.

Management attention is given to pandemic risks like avian flu, providing a detailed view on the time and workload resistance of critical activities, on the vulnerability to external suppliers, and on the overall measures to be taken.

5.7.3.2 Information security

For a financial services provider like Fortis Bank Nederland (Holding) N.V. information is critical. Financial services are knowledge- and information intensive and reliable information is essential to Fortis Bank Nederland (Holding) N.V.'s success. Information must therefore be protected at all times against a wide range of threats. Fortis Bank Nederland (Holding) N.V. does this by establishing a structured information security approach to assure the confidentiality, integrity and availability of information.

The Fortis Bank Nederland (Holding) N.V. Information Security Policy defines the organisational framework, management and staff responsibilities and the information security directives that apply throughout Fortis Bank Nederland (Holding) N.V. and to third parties with whom Fortis Bank Nederland (Holding) N.V. exchanges information. Furthermore, Fortis Bank Nederland (Holding) N.V. extracts specific information security controls from existing international best practices like ISO/IEC 27001 and ISO/IEC 17799 – 2005.

Businesses and support functions pursue the Fortis Bank Nederland (Holding) N.V. Information Security Policy on a 'comply or explain' basis. Responsibility for the design and implementation of information security is delegated to the Operational Risk Committee (ORC). The strategy for implementing policy utilises existing best practices at Fortis Bank Nederland (Holding) N.V. as much as possible.

The ORC has specifically delegated tasks to the "Automatiseringscommissie" (IT Committee) and the Information Security and Business Continuity Implementation Board, comprising senior managers from the businesses and support functions, to manage policy implementation at strategic level. Fortis Bank Nederland (Holding) N.V. achieves this by setting up several key projects to drive information security (e.g. identify management, business continuity and security awareness).

In 2007 a Security Management Framework was developed for Fortis Bank Nederland (Holding) N.V. in cooperation with representatives from the businesses and support functions. This framework comprises procedures and guidelines to support the businesses and support functions in implementing the Fortis Bank Nederland (Holding) N.V. Information Security Policy.

5.7.3.3 Risk transfer through insurance

Fortis Bank Nederland (Holding) N.V. recognises insurance as a valid instrument for transferring the effects of operational risk to the external market. CRM coordinates this insurance centrally and handles the transfer of specific event risks such as financial losses due to fraud, computer crime, professional liability and personal liability.

In line with industry practices, Fortis Bank Nederland (Holding) N.V. purchases the following insurance policies from third-party insurers:

- Combined Bankers Blanket Bond, Computer Crime and Professional Liability Insurance
- Directors and Officers Insurance

5.7.3.4 Management control statements (MCS)

In line with industry practice Fortis Bank Nederland (Holding) N.V. has a process in place by which senior management of the whole of Fortis Bank Nederland (Holding) N.V. analyse and report on the effectiveness of internal control (in a broad sense) and define necessary actions to remedy any significant failings or weaknesses in the internal risk control process.
The assessments of event risk and business risk are input for that process, in addition to information regarding the other types of risk, reports by Compliance and Audit, etc.

Based on this risk assessment, management teams sign their management control statements and formulate action plans (when necessary) to improve management/control. The MCS is confirmed at year-end of the functioning of the risk management and internal control system during the year. Fortis Bank Nederland (Holding) N.V.'s Central Risk Management coordinates quarterly reporting on the follow-up to those action plans.

6 Supervision and solvency

As a financial institution, Fortis Bank Nederland (Holding) N.V. is subject to prudential supervision by the Dutch Central Bank (DNB).

6.1 Supervision

Prudential supervision includes the verification on a monthly basis that Fortis Bank Nederland (Holding) N.V. ensures the availability of own funds at least equal to the sum of the solvency requirements. The elements of own funds and the solvency requirements for the banking activities are calculated in accordance with the corresponding sector rules. Fortis Bank Nederland (Holding) N.V. met all requirements in 2008, 2007, and 2006.

6.2 Solvency

The on- and off balance sheet credit commitments and the bank's trading positions are weighted according to the level of risk involved (risk weighted commitments). The minimum requirement for core capital (Tier 1) is 4%, while total qualifying capital must be maintained at a minimum of 8% of risk weighted commitments.

	2008	*2007*	*2006*
	Basel I	*Basel I*	*Basel I*
Credit risk	70,658	75,402	66,564
Operational risk			
Market risk	274	448	431
Risk weighted commitments	70,932	75,850	66,995
Tier 1 ratio	7.4%	11.2%	8.6%
Total capital ratio	11.2%	11.2%	10.9%

The reconciliation of Total equity to Tier 1 capital is shown in the table below.

	2008	*2007*	*2006*
Total equity	**3,019**	**22,418**	**6,097**
(Non-)innovative hybrid capital instruments	2,435	2,427	450
Minority interests	(2)	(392)	(140)
Participations in financial institutions	(5)	(15,287)	
Intangible assets	(162)	(193)	(131)
Expected dividend		(400)	(76)
Other deductions	(9)	(110)	(400)
Tier 1 capital	**5,276**	**8,463**	**5,800**

Capital management

Fortis Bank Nederland (Holding) N.V. regulatory capital is analysed into two tiers, tier 1 capital and tier 2 capital.

Tier 1 capital

Tier 1 capital is composed of shareholders' equity, minority interests, non-innovative Tier 1 capital, and innovative Tier 1 capital instruments after deduction of the elements mentioned below.

Shareholders' equity consists of share capital, share premium reserve, unrealised gains and losses, reserves and net profit attributable to shareholders. The unrealised gains and losses are excluded from Tier 1 capital computation except for the unrealised losses on AFS equities which are fully deducted from Tier 1 capital.

Minority interests reflect the equity of minority shareholders in a subsidiary.

The DNB allows in its common equity non-innovative hybrid instruments such as profit-sharing certificates. Those non-innovative instruments must meet the criteria set by the DNB including the requirements that they must be permanent and should have a loss absorption capacity similar to shares.

Innovative Tier 1 instruments are deeply subordinated debt instruments, senior only to shareholders' equity and non-innovative Tier 1 debt. They do not have a maturity date and have a relatively high capacity for loss absorption. They must also meet strict rules predefined by the DNB.

Outstanding (non)-innovative Tier 1 instruments at Fortis Bank Nederland (Holding) N.V. are:

- Non-cumulative non-voting perpetual preference shares;
- Non-voting preference shares.

Tier 2 capital

Tier 2 capital is subdivided into upper Tier 2 and lower Tier 2 capital. Upper Tier 2 capital consists of debt instruments with an indefinite term (i.e. cumulative preference shares) and other financial instruments that meet certain specified criteria such as 90% of positive revaluations on available-for-sale equities (after tax). Lower Tier 2 capital consists of other long-term subordinated liabilities that meet certain specified criteria and (cumulative) preference shares with a fixed term (not available within Fortis Bank Nederland (Holding) N.V.).

Deductions from Tier 1 and Total Capital

Regulators apply deductions and prudential filters on Tier 1 capital. The main elements which need to be deducted or filtered out from Tier 1 capital are:

- Goodwill, which is the difference between the purchase price and net asset value of the acquired company;
- Other intangibles such as concessions, patents and licenses;
- Own treasury shares;
- 50% of participating interests and subordinated loans (and other capital instruments qualifying as own funds) of more than 10% in not fully consolidated credit or other financial institutions;
- 50% of participating interests and subordinated loans (and other capital instruments qualifying as own funds) of more than 20% in insurance companies;
- Expected but not yet declared dividend;
- Unrealised gains and losses on AFS bonds (unrealised gains and losses on AFS real estate are not included in IFRS figures and therefore no adjustment is made for solvency calculation);
- Unrealised gains on AFS equities which are partially (90%) included in Tier 2; unrealised losses do impact Tier 1 as those losses are deducted from Tier 1 capital;
- In case of a provision shortfall (i.e. provision shortage compared to IRB measurement of expected loss), 50% of this shortage will be deducted from Tier 1 capital and 50% will be deducted from Tier 2 capital. The excess provision amounts, if any, are eligible as an element of Tier 2 capital.

Furthermore, the regulation also foresees the following deductions on Tier 2 capital if the Tier 2 capital is sufficient to carry out the deduction. If not the (remaining) deduction will be taken from Tier 1 capital:

- 50% of participating interests of more than 10% in not fully consolidated credit institutions or other financial institutions;
- 50% of participating interests of more than 20% in insurance companies;
- 50% of subordinated loans and other capital instruments issued by companies referred to in 1) and 2) which qualify as own funds of these companies, and which are held by Fortis Bank Nederland (Holding) N.V. (or a subsidiary).

In 2007 the deductions on participating interests related almost completely to the investment in RFS Holdings which has been sold at the end of 2008.

Market and supervisory consideration

In view of the overall stability in the financial sector, DNB is considering an increase in the level of required solvency for major players in the market. Such discussions have not yet materialised in a situation of clarity on the percentages to be achieved. When DNB's view and requirements would become more transparent and imminent, Fortis Bank Nederland (Holding) N.V. may need to strengthen its Tier 1 capital to remain in line with requirements in the market. This could give rise to discussions with the shareholders to convert liabilities into equity.

7 Post-employment benefits and other long-term employee benefits

Post-employment benefits are employee benefits, such as pensions and post-employment medical care, which are payable when employment ends. Other long-term employee benefits are employee benefits which do not fall due fully within twelve months of the period in which the employees rendered the related service, including jubilee premiums and long-term disability benefits.

7.1 Post-employment benefits

7.1.1 Defined benefit pension plans and other post-employment benefits

Fortis Bank Nederland (Holding) N.V. operates defined benefit pension plans covering the majority of its employees. Some plans are funded partly by means of employee contributions.

Under these plans, benefits are calculated based on years of service and level of salary. Pension obligations are determined on the basis of mortality, employee turnover, wage drift and economic assumptions such as inflation and discount rate. Discount rates by country or region are set on the basis of the yield (at closing date) of debt securities of similar duration, issued by blue-chip companies or by the government in the absence of a representative corporate market.

In addition to pensions, post-employment benefits also include other expenses such as reimbursement of part of the health insurance premiums and favourable conditions on financial products, such as mortgage loans, which continue to be granted to employees after retirement.

The following table provides details of the amounts shown in the balance sheet as at 31 December regarding pension plans and other post-employment benefits.

	Defined benefit pension plans			*Other post-employment benefits*		
	2008	*2007*	*2006*	*2008*	*2007*	*2006*
Present value of funded obligations	2,012	1,824	1,932			
Present value of unfunded obligations	99	136	151	64	64	59
Defined benefit obligation	**2,111**	**1,960**	**2,083**	**64**	**64**	**59**
Fair value of plan assets	(1,948)	(1,864)	(1,813)			
	163	**96**	**270**	**64**	**64**	**59**
Unrecognised actuarial gains (losses)	2	179	111	10	10	11
Unrecognised past service cost	(6)	(8)	(10)			
Unrecognised assets due to Asset ceiling						
Other amounts recognised in the balance sheet						
Net Defined benefit liabilities (assets)	**159**	**267**	**371**	**74**	**74**	**70**
Amounts in the balance sheet:						
Defined benefit liabilities	160	270	374	74	74	70
Defined benefit assets	(1)	(3)	(3)			
Net Defined benefit liabilities (assets)	**159**	**267**	**371**	**74**	**74**	**70**

Defined benefit liabilities are classified under Accrued interest and other liabilities (see note 29) and Defined benefit assets are classified under Accrued interest and other assets (see note 21).

The following table reflects the changes in the net pension liability (asset) as recognised in the balance sheet.

	Defined benefit pension plans		*Other post-employment benefits*	
	2008	*2007*	*2008*	*2007*
Net Defined benefit liabilities (assets) as at 1 January	**267**	**371**	**74**	**70**
Total defined benefit expense	27	40	7	9
Employer's contributions	(137)	(145)	(7)	(4)
Participants' contributions paid to the employer				
Benefits directly paid by the employer				
Transfer	3	1		(1)
Foreign exchange differences	(1)			
Other				
Net Defined benefit liabilities (assets) as at 31 December	**159**	**267**	**74**	**74**

The table below shows the changes in the Defined benefit obligation.

	Defined benefit pension plans		*Other post-employment benefits*	
	2008	*2007*	*2008*	*2007*
Defined benefit obligation as at 1 January	**1,960**	**2,083**	**64**	**59**
Current service cost	43	46	3	5
Interest cost	105	97	3	3
Actuarial losses (gains) on defined benefit obligation	68	(212)		(3)
Participants' contributions				
Participants' contributions paid to the employer				
Benefits paid	(67)	(59)	(7)	(4)
Benefits paid directly paid by the employer				
Past service cost - non-vested benefits				3
Past service cost - vested benefits			2	
Curtailments				
Settlements	(1)	(1)		
Acquisitions and disposals of subsidiaries				
Transfer	3	7		1
Foreign exchange differences		(1)		
Other			(1)	
Defined benefit obligation as at 31 December	**2,111**	**1,960**	**64**	**64**

The following table shows the changes in the fair value of plan assets.

	Defined benefit pension plans		Other post-employment benefits	
	2008	2007	2008	2007
Fair value of plan assets as at 1 January	**1,864**	**1,813**		
Expected return on plan assets	117	100		
Actuarial gains (losses) on plan assets	(104)	(133)		
Employer's contributions	137	145	6	5
Participants' contributions				
Benefits paid	(67)	(59)	(6)	(5)
Settlements		(1)		
Acquisitions and disposals of subsidiaries				
Transfer				
Foreign exchange differences	1	(1)		
Other				
Fair value of plan assets as at 31 December	**1,948**	**1,864**		

Actuarial gains (losses) on plan assets are mainly the difference between the actual and expected return.

The following table shows the actual return on plan assets for defined benefit pension plans.

	Defined benefit pension plans		
	2008	2007	2006
Actual return on plan assets	18	(32)	39

The following table shows the changes in the total of unrecognised actuarial gain (losses) on liabilities and assets.

	Defined benefit pension plans		Other post-employment benefits	
	2008	2007	2008	2007
Unrecognised actuarial gains (losses) as at 1 January	**179**	**111**	**10**	**11**
Actuarial gains (losses) on defined benefit obligation	(68)	212		3
Actuarial gains (losses) on plan assets	(104)	(133)		
Recognised actuarial losses (gains) resulting from asset ceiling				
Curtailments				(1)
Settlements				
Amortisation of unrecognised actuarial losses (gains) on defined benefit obligation	(5)	(5)	(1)	(1)
Amortisation of unrecognised actuarial losses (gains) on plan assets				
Acquisitions and disposals of subsidiaries				
Transfer		(6)		(2)
Foreign exchange differences				
Other			1	
Unrecognised actuarial gains (losses) as at 31 December	**2**	**179**	**10**	**10**

The current service cost, past service cost, amortisation of unrecognised losses (gains) on the Defined benefit obligation and losses (gains) on curtailments and settlements impacting liabilities are included in Staff expenses (see note 42). All other defined benefit expense items are included in Interest expenses.

Total Defined benefit expense contains all interest costs related to the defined benefit pension plans.

The following table shows the principal actuarial assumptions used for the Euro-zone countries.

	Defined benefit pension plans						Other post-employment benefits					
	2008		2007		2006		2008		2007		2006	
	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High
Discount rate	5.2%	5.6%	4.7%	5.4%	4.7%	3.8%	4.8%	5.5%	4.2%	4.2%	4.2%	4.2%
Expected return on plan assets as at 31 December	4.7%	4.7%	6.0%	6.0%	5.3%	5.3%						
Future salary increases (price inflation included)	2.8%	3.5%	2.5%	3.3%	2.4%	2.4%	3.5%	3.5%	2.3%	2.3%	2.4%	2.4%
Future pension increases (price inflation included)	2.2%	2.2%	1.9%	1.9%	1.8%	1.8%	2.5%	2.5%	1.8%	1.8%	1.8%	1.8%
Medical cost trend rates							6.0%	6.0%	4.3%	4.3%	4.3%	4.3%

The plan assets comprise predominantly fixed-income securities and investment contracts with insurance companies. Fortis Bank Nederland (Holding) N.V.' internal investment policy stipulates that investment in derivatives and emerging markets for the purpose of funding pension plans is to be avoided. Fortis Bank Nederland (Holding) N.V. intends to gradually adjust its asset allocation policy in the future to ensure a closer match between the duration of the assets and that of the pension liabilities. The asset mix of the plan assets is as follows:

	2008	2007	2006
Equity securities	16%	20%	17%
Debt securities	81%	66%	72%
Real estate	2%	4%	4%
Convertibles	0%	4%	3%
Other	1%	6%	4%

The category Other consists mainly of mortgage loans and high-yield bonds. Investments in hedge funds are limited. Derivatives are used only to limit the plan exposures to interest rate risk. Pension plan assets are invested in global equity and debt markets.

To administer pension plan assets, Fortis Bank Nederland (Holding) N.V. applies general guidelines about tactical asset allocation based on criteria such as geographical distribution and rating. ALM studies are carried out periodically in order to keep the investment strategy in line with the structure of the pension benefit obligation. According to these guidelines and the results of the studies, the asset allocation is determined for each scheme at company level.

The employer's contributions expected to be paid for post-employment benefit plans for the year ended 31 December 2008 are as follows:

	Defined benefit pension plans	*Other post-employment benefits*
Expected contribution for next year	114	

7.1.2 Defined contribution plans

Fortis Bank Nederland (Holding) N.V. operates a number of defined contribution plans worldwide. The employer's commitment in a defined contribution plan is limited to the payment of contributions calculated in accordance with the plan regulations. Employer contributions for defined contribution plans amounted to EUR 17 million in 2008 (2007: EUR 26 million; 2006: EUR 41 million) and are included in Staff expenses (see note 42). Defined contribution plans with guaranteed interest are accounted for and represented as defined contribution plans, since no material provisions are expected.

7.2 Other long-term employee benefits

Other long-term employee benefits include jubilee premiums and long-term disability benefits. The table below shows liabilities related to other long-term employee benefits included in the balance sheet under Accrued interest and other liabilities (see note 29).

	2008	*2007*	*2006*
Defined benefit obligation	24	23	21
Fair value of plan assets			
Net liability	**24**	**23**	**21**
Other amounts recognised in the balance sheet			
Net defined benefit liabilities (assets)	**24**	**23**	**21**
Amounts in the balance sheet:			
Defined benefit liabilities	24	23	21
Defined benefit assets			
Net defined benefit liabilities (assets)	**24**	**23**	**21**

The following table shows the changes in Liabilities for other long-term employee benefits during the year.

	2008	*2007*
Net defined liability as at 1 January	**23**	**21**
Total expense	3	3
Employers' contributions		
Participants' contributions paid to the employer		
Benefits directly paid by the employer	(1)	(1)
Foreign exchange differences		
Acquisitions and divestments of subsidiaries		
Transfer		
Other	(1)	
Net defined liability as at 31 December	**24**	**23**

The table below provides the range of actuarial assumptions applied in calculating the Liabilities for other long-term employee benefits.

	2008		2007		2006	
	Low	*High*	*Low*	*High*	*Low*	*High*
Discount rate	4.8%	5.5%	4.7%	4.8%	2.9%	2.9%
Salary increase	3.5%	3.5%	3.3%	5.0%	1.8%	1.8%

Expenses related to other long-term employee benefits are shown below. Interest cost is included in interest expenses, all other expenses are included in Staff expenses (see note 42).

	2008	2007	2006
Current service cost	2	2	2
Interest cost	1	1	1
Net actuarial losses (gains) recognised immediately			2
Total expense	**3**	**3**	**5**

8 Employee share option and share purchase plans

Each year Fortis Bank Nederland (Holding) N.V. determines whether the Fortis options shall be allocated to employees depending on merit and performance.

In fact, during recent years, Fortis Group decided to offer options on Fortis shares to key employees as is done to 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 on local tax regulations.
This Fortis option plan is named ESOP (Executive Share Option Plan) and presents the following main characteristics:

- The annual plan characterised by options with a 3 to 5 year vesting period;
- Compensation plan with four gradations 800, 1500, 3500, or 7000 options granted yearly;
- Senior managers and key personnel;
- Approximately 800 persons involved within the Fortis Group (participating countries only);

When Fortis Bank Nederland (Holding) N.V. or one of its subsidiaries grants options on Fortis shares to their employees, the related expenses are invoiced by Fortis Group and recorded as staff expenses amortised over five years. The exercise or expiration of these options has no impact on the accounts of Fortis Bank Nederland (Holding) N.V.
In April 2008 the ESOP stock option plan granted 966,300 Fortis shares to employees of Fortis Bank Nederland (Holding) N.V. (2007: 903,487; 2006: 802,683).
The costs related to this stock option plan for 2008 amounted to EUR 1 million (2007: EUR 4 million; 2006: EUR 3 million).

Fortis Bank Nederland (Holding) N.V. has no stock option programme in place.

9 Remuneration of Management Board and Supervisory Board

The remuneration, including pension costs, of the current five members of the Management Board payable by Fortis Bank Nederland (Holding) N.V. was EUR 2.2 million in 2008 (for current and former members in total EUR 3.1 million). Total remuneration of current and former members was EUR 2.3 million in 2007 and EUR 4.6 million in 2006. In 2008, the number of employee stock options Fortis Group granted to the Management Board in April 2008 was 17,500 (2007: 39,239; 2006: 47,781). The strike price of these employee stock options was EUR 15.06 (2007: EUR 23.96; 2006: EUR 24.68). Fortis Bank Nederland (Holding) N.V. has no stock option programme in place.

In line with the public debate, Fortis Bank Nederland (Holding) N.V. will review its remuneration policy, including bonus incentives. Against this background, the Management Board of Fortis Bank Nederland (Holding) N.V. has decided to forego its variable remuneration and its discretionary bonus for the year 2008. Also, the senior management of Fortis Bank Nederland (Holding) N.V. will not be entitled to a discretionary bonus re 2008.

The remuneration of the members of the Management Board is decided by the Supervisory Board based on recommendations made by the Remuneration Committee, in compliance with the Remuneration Policy for members of the Management Board of Fortis Bank Nederland (Holding) N.V. as adopted by the General Meeting of Shareholders and HR policies.

Members of the Management Board receive a remuneration that reflects the executive functions they perform within Fortis Bank Nederland (Holding) N.V., established in accordance with the Remuneration Policy for members of the Management Board of Fortis Bank Nederland (Holding) N.V.

The remuneration of members of the Supervisory Board of Fortis Bank Nederland (Holding) N.V. was EUR 0.2 million (2007: EUR 0.3 million; 2006: EUR 0.4 million).

The remuneration of the members of the Supervisory Board must be approved by the General Meeting of Shareholders.

10 Audit fees

Since 28 June 2008 all legal bodies for which article 382a Title 9 BW 2 is applicable, have to disclose the audit fees that have been paid to the external auditor. During the financial year the following audit fees for KPMG have been paid by Fortis Bank Nederland (Holding) N.V.:

	2008	*2007*	*2006*
Financial statements audit fees	5	5	5
Other audit fees			
Tax advisory fees	1	1	1
Other non-audit fees	1		
Total	**7**	**6**	**6**

Apart from the audit fees paid to KPMG, fees have been paid to other audit firms (EUR 1 million) resulting in fees paid to audit firms of EUR 8 million in total (2007: EUR 6 million; 2006 EUR 6 million).

11 Related parties

Related parties to Fortis Bank Nederland (Holding) N.V. include the Dutch State as shareholder, associates, pension funds, joint ventures, Management Board, Supervisory Board, close family members of any person referred to above, entities controlled or significantly influenced by any person referred to above and any other related entities.

As part of its business operations Fortis Bank Nederland (Holding) N.V. frequently enters into transactions with related parties. Such transactions mainly relate to loans and deposits and are entered under the same commercial and market terms that apply to non-related parties.

The loans granted by the Dutch State can be divided into long term and short term funding. The short term funding are 8 different loans for a total amount of EUR 34,000 million. These loans have an interest rate range from 3.53% to 4.59% and a maturity range from 14 January 2009 to 18 March 2009.

The long term funding contains 19 loans for a total amount of EUR 9,625 million. For these loans the interest rate varies from 3.51% to 6.53% and maturity range is from 2010 to 2027.

The remuneration of the Management Board and the Supervisory Board is described in note 9.

Total outstanding loans and advances to members of the Management Board of Fortis Bank Nederland (Holding) N.V. amounts to EUR 3.7 million (2007: EUR 1.9 million and 2006: EUR 2.8 million).
The outstanding loans and advances to members of the Management Board and the Supervisory Board consist in principle of consumer mortgages. These loans and advances have been granted under normal personnel Conditions or Client Conditions.

Credits, loans or bank guarantees in the normal course of business may be granted by Fortis Bank Nederland (Holding) N.V. companies to Executive Managers or to close family members of Board Members and close family members of Executive Managers. At 31 December, there were no outstanding credits, loans or bank guarantees, other than the ones in the normal course of business noted above.

Transactions entered into with the following related parties for the year ended 31 December are summarised below:

- associates;
- joint ventures;
- other related parties.

	2008	up till 30 September 2008	2007
Income and expenses - Related parties			
Interest income	49	4,947	6,296
Interest expense	(471)	(6,488)	(8,171)
Fee and commission income		60	99
Dividend and other investment income		622	
Realised gains		(1,579)	98
Other income	2	115	163
Fee and commission expense		(5)	(6)
Operating, administrative and other expenses	(23)	(96)	(88)

In 2007 and up till 30 September 2008 related parties included entities within Fortis Group.

	2008			up till 30 September 2008			2007		
	Associates and joint ventures	*Other*	*Total*	*Associates and joint ventures*	*Other*	*Total*	*Associates and joint ventures*	*Other*	*Total*
Balance sheet - Related parties									
Investments in associates	319		319	1,458	750	2,208	843		843
Cash and cash equivalents					32,377	32,377	10	32,135	32,145
Assets held for trading					2,465	2,465	9	4,338	4,347
Due from customers	269		269	271	19,737	20,008	293	9,778	10,071
Due from banks					13,889	13,889	125	11,332	11,457
Other assets	6		6		1,229	1,229	24	1,530	1,554
Liabilities held for trading					1,799	1,799	45	2,043	2,088
Due to customers		40,375	40,375		22,531	22,531		15,230	15,230
Due to banks	1,457		1,457	1,457	99,232	100,689	333	53,897	54,230
Debt certificates, subordinated liabilities and other borrowings		3,250	3,250		18,235	18,235	139	19,968	20,107
Other liabilities		41	41		4,903	4,903	41	3,184	3,225

The decrease at related parties is mainly due to the sale of RFS Holdings B.V. on 24 December 2008 and the separation from Fortis Group.

12 Information on segments

12.1 General information

The primary format for the segment reporting is based on business segments.

On 5 November 2007, Fortis announced a reorganisation of its management structure as of 1 January 2008. A more adequate management structure would not only facilitate the successful integration of the acquired RFS Holdings B.V businesses, but would also support the development of Fortis as a whole.

For comparison purposes the Balance sheet and Income statement by segments for 2007 and 2006 have been adjusted to the business segment structure 2008.

Fortis Bank Nederland (Holding) N.V. is now organised on a worldwide basis into three businesses, further subdivided into business segments (for details see below):

- Retail Banking;
- Private Banking;
- Merchant Banking.

Fortis Bank Nederland (Holding) N.V.'s segment reporting reflects the full economic contribution of the businesses of Fortis Bank Nederland (Holding) N.V. The aim is direct allocation to the businesses of all balance sheet and income statement items for which the businesses have full managerial responsibility.

Segment information is prepared based on the same accounting policies as those used in preparing and presenting Fortis Bank Nederland (Holding) N.V.'s Financial Statements (as described in note 1) and by applying appropriate allocation rules.

Transactions between the different businesses are executed under standard commercial terms and conditions.

12.2 Banking

Retail Banking

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

Retail Banking offers financial services to retail customers including individuals, self-employed people, members of the independent professions and small business, through the international Retail Banking business. Fortis Bank Nederland (Holding) N.V. operates through a variety of distributions channels in the Benelux countries to deliver service and advice on every aspect of individual banking, saving, investment, credit and insurance.

Private Banking

Private Banking offers integrated, worldwide asset and liability management solutions to high net worth individuals, their businesses and their advisors.

Merchant Banking

Merchant Banking combines market leadership in the Benelux region with a strong position on a European or worldwide scale in specific skills with growth perspectives. As part of its pursuit of optimum and economically rewarding relationships with its customers, the business provides a full range of services customised to meet customers' needs, based on an in-depth analysis of their expectations.

Merchant Banking comprises Corporate & Public Banking, Commercial & Investment Banking, Global Markets and Specialised Finance.

Corporate & Public Banking is responsible for the global relationship management of corporate and public-sector clients.

Commercial Banking aims to be the partner of choice for Europe-oriented medium-sized enterprises by offering added-value solutions through a cohesive network of business centres.

Specialised Finance consists of Energy, Commodities & Transportation (ECT), leasing, commercial finance, trade finance, supply chain and cash management. This business line is made up of separate entities with different internal and external distribution channels and client bases. It develops a joint market approach that brings high-added value solutions to customers.

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, real estate finance and principal finance (primarily targeting transportation group companies).

Global Markets includes Institutional Banking, and Clearing, Funds & Custody. Institutional Banking develops and delivers comprehensive, tailored and integrated solutions to top corporate clients, financial institutions, mid-caps, private banking clients, governments and public entities worldwide. It is present in 25 countries across Europe, America and Asia.

Clearing, Funds & Custody offers high-value financial services in custody, clearing, fund administration and financing that support the trading and investment activities of financial professionals.

Other Banking

Balance sheet items, revenues and costs for support functions, operations and Asset and Liability Management (ALM) are reported in this section. The figures reported are those after allocation to the business segments.

Allocation rules

Segment reporting within the Banking segments uses the balance sheet allocation rules, balance sheet squaring mechanisms, a fund transfer pricing system, rebilling of support and operation expenses and overhead allocation. The balance sheet allocation and squaring methodology aims at reporting information on segments to reflect Fortis Bank Nederland (Holding) N.V.'s business model.

Under Fortis Bank Nederland (Holding) N.V.'s business model, segments do not act as their own treasurer in bearing the interest rate risk, the foreign exchange risk and the liquidity risk, by funding their own assets with their own liabilities, or by having direct access to the financial markets. The interest, currency and liquidity risks are removed by transferring them from the segments to the internal central bankers. This is reflected in the fund transfer pricing system. 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 regulatory capital used and the interest margin generated within the segments.

Support and operations departments provide services to the segments. These services include human resources and information technology. 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. SLAs ensure that the costs and revenues are charged based on actual use and at standard rates. Differences between the actual costs and the rebilled costs based on standard tariffs are passed through to the business segments in a final allocation.

12.3 Balance sheet of banking segments

						31 December 2008
	Retail Banking	*Private Banking*	*Merchant Banking*	*Other Banking*	*Eliminations*	*Total Banking*
Assets						
Cash and cash equivalents	636	467	30,245	32,541	(54,030)	9,859
Assets held for trading	30	220	13,857	85	(244)	13,948
Due from banks	24,706	5,410	89,770	30,751	(126,365)	24,272
Due from customers	37,954	4,306	80,364	87,442	(85,374)	124,692
Investments:						
- *Held to maturity*				*30*		*30*
- *Available for sale*	*12*	*18*	*3,443*	*69*		*3,542*
- *Held at fair value through profit or loss*			*151*			*151*
- *Investment property*		*58*	*29*	*6*	*(3)*	*90*
- *Associates and joint ventures*	*2*		*335*	*51*		*388*
Total investments	14	76	3,958	156	(3)	4,201
Other receivables	71	4	2,920	83	(49)	3,029
Property and equipment	4	1	118	581	(290)	414
Goodwill and other intangible assets		94	30	67	(9)	182
Accrued interest and other assets	537	114	2,748	2,001	(2,031)	3,369
Deferred tax assets	52		44	741	(600)	237
Total assets	**64,004**	**10,692**	**224,054**	**154,448**	**(268,995)**	**184,203**
Liabilities						
Liabilities held for trading	30	219	23,545	164	(242)	23,716
Due to banks	40,751	4,569	111,240	77,300	(212,551)	21,309
Due to customers	21,990	5,748	86,794	32,253	(54,987)	91,798
Debt certificates	102		457	27,794	(102)	28,251
Subordinated liabilities	3	1	237	6,558	(238)	6,561
Other borrowings			226	31		257
Provisions	13	19	29	70	(34)	97
Current and deferred tax liabilities	90	3	236	(8)		321
Accrued interest and other liabilities	1,025	133	1,296	7,261	(841)	8,874
Liabilities related to assets held for sale						
Allocated liabilities			(6)	6		
Total liabilities	**64,004**	**10,692**	**224,054**	**151,429**	**(268,995)**	**181,184**
Shareholders' equity				2,944		2,944
Minority interests				75		75
Total equity				**3,019**		**3,019**
Total liabilities and equity	**64,004**	**10,692**	**224,054**	**154,448**	**(268,995)**	**184,203**

	Retail Banking	Private Banking	Merchant Banking	Other Banking	Eliminations	Total Banking
						31 December 2007
Assets						
Cash and cash equivalents	10,311	304	42,664	53,645	(67,655)	39,269
Assets held for trading	138	58	22,008	958	(45)	23,117
Due from banks	41,728	9,987	113,877	44,462	(171,286)	38,768
Due from customers	35,831	4,571	81,373	61,181	(51,985)	130,971
Investments:						
- *Held to maturity*				*35*		*35*
- *Available for sale*		*17*	*3,112*	*72*		*3,201*
- *Held at fair value through profit or loss*			*123*			*123*
- *Investment property*		*37*	*38*	*7*	*(3)*	*79*
- *Associates and joint ventures*	*2*		*1,481*	*24,250*		*25,733*
Total investments	2	54	4,754	24,364	(3)	29,171
Reinsurance and other receivables	63	6	3,363	38	(35)	3,435
Property and equipment	4	3	75	550	(264)	368
Goodwill and other intangible assets		94	106	47	(23)	224
Accrued interest and other assets	473	170	4,283	5,103	(3,132)	6,897
Deferred tax assets	12		6	140		158
Total assets	**88,562**	**15,247**	**272,509**	**190,488**	**(294,428)**	**272,378**
Liabilities						
Liabilities held for trading	138	54	51,367	921	(14)	52,466
Due to banks	58,396	4,952	155,542	96,188	(243,767)	71,311
Due to customers	23,269	10,159	56,568	33,368	(53,374)	69,990
Debt certificates	102		88	32,707	(101)	32,796
Subordinated liabilities	37	1	272	11,652	(310)	11,652
Other borrowings			280	1,091		1,371
Provisions	9	4	54	30	(18)	79
Current and deferred tax liabilities	93	6	362	321		782
Accrued interest and other liabilities	6,518	71	7,976	(8,208)	3,156	9,513
Total liabilities	**88,562**	**15,247**	**272,509**	**168,070**	**(294,428)**	**249,960**
Shareholders' equity				21,763		21,763
Minority interests				655		655
Total equity				**22,418**		**22,418**
Total liabilities and equity	**88,562**	**15,247**	**272,509**	**190,488**	**(294,428)**	**272,378**

	31 December 2006					
	Retail Banking	*Private Banking*	*Merchant Banking*	*Other Banking*	*Eliminations*	*Total Banking*
Assets						
Cash and cash equivalents	456	271	57,744	40,386	(76,782)	22,075
Assets held for trading		45	22,068	1,309	(29)	23,393
Due from banks	23,279	10,497	120,454	103,144	(230,303)	27,071
Due from customers	32,766	3,481	74,842	51,445	(38,496)	124,038
Investments:						
- *Held to maturity*				*33*		*33*
- *Available for sale*		*14*	*1,635*	*2,157*	*(11)*	*3,795*
- *Held at fair value through profit or loss*			*179*			*179*
- *Investment property*				*7*	*(4)*	*3*
- *Associates and joint ventures*	*2*		*861*	*43*		*906*
Total investments	2	14	2,675	2,240	(15)	4,916
Reinsurance and other receivables	4	3	3,066	39	(192)	2,920
Property and equipment	3	23	34	592	(267)	385
Goodwill and other intangible assets		115	101	25	(13)	228
Accrued interest and other assets	409	116	2,535	2,177	(712)	4,525
Deferred tax assets	8		7	183		198
Total assets	**56,927**	**14,565**	**283,526**	**201,540**	**(346,809)**	**209,749**
Liabilities						
Liabilities held for trading		43	32,297	627	(6)	32,961
Due to banks	26,487	3,861	185,930	161,041	(307,175)	70,144
Due to customers	13,612	10,560	50,406	35,254	(45,976)	63,856
Debt certificates	103		152	26,905	(1,816)	25,344
Subordinated liabilities	35	1	467	2,621	(722)	2,402
Other borrowings	4		247	652		903
Provisions	15	6	54	50	(34)	91
Current and deferred tax liabilities	56	3	302	202	(45)	518
Accrued interest and other liabilities	16,615	91	13,671	(31,909)	1,579	47
Liabilities related to assets held for sale					7,386	7,386
Total liabilities	**56,927**	**14,565**	**283,526**	**195,443**	**(346,809)**	**203,652**
Shareholders' equity				5,910		5,910
Minority interests				187		187
Total equity				**6,097**		**6,097**
Total liabilities and equity	**56,927**	**14,565**	**283,526**	**201,540**	**(346,809)**	**209,749**

12.4 Income statement of banking segments

						2008
	Retail Banking	Private Banking	Merchant Banking	Other Banking	Eliminations	Total Banking
Income						
Interest income	3,612	418	23,094	9,988	(19,755)	17,357
Interest expense	(2,953)	(330)	(22,369)	(10,438)	19,755	(16,335)
Net interest income	659	88	725	(450)		1,022
Fee and commission income	136	123	814	37	(2)	1,108
Fee and commission expense	(39)	(18)	(193)	(37)	2	(285)
Net fee and commission income	97	105	621			823
Dividend, share in result of associates and joint ventures and other investment income	1	11	21	(902)		(869)
Realised capital gains (losses) on investments	3		16	(16,826)		(16,807)
Other realised and unrealised gains and losses	36	6	275	114		431
Other income	83	15	139	(19)	(11)	207
Total income, net of interest expense	**879**	**225**	**1,797**	**(18,083)**	**(11)**	**(15,193)**
Change in impairments	(65)	(14)	(1,202)	(22)		(1,303)
Net revenues	**814**	**211**	**595**	**(18,105)**	**(11)**	**(16,496)**
Expenses						
Staff expenses	(182)	(64)	(441)	(228)		(915)
Other expenses	(170)	(50)	(279)	(560)	11	(1,048)
Depreciation and amortisation of tangible and intangible assets	(1)	(2)	(14)	(50)		(67)
Allocation expense	(223)	(58)	(195)	476		
Total expenses	**(576)**	**(174)**	**(929)**	**(362)**	**11**	**(2,030)**
Profit before taxation	**238**	**37**	**(334)**	**(18,467)**		**(18,526)**
Income tax expense	(55)	(4)	(78)	193		56
Net profit before minority interests	**183**	**33**	**(412)**	**(18,274)**		**(18,470)**
Net profit attributable to minority interests		(1)	3	14		16
Net profit attributable to shareholders	**183**	**34**	**(415)**	**(18,288)**		**(18,486)**

						2007
	Retail Banking	*Private Banking*	*Merchant Banking*	*Other Banking*	*Eliminations*	*Total Banking*
Income						
Interest income	3,252	593	22,358	11,265	(18,299)	19,169
Interest expense	(2,631)	(489)	(21,614)	(11,199)	18,299	(17,634)
Net interest income	621	104	744	66		1,535
Fee and commission income	172	145	835	16		1,168
Fee and commission expense	(50)	(13)	(161)	(18)		(242)
Net fee and commission income	122	132	674	(2)		926
Dividend and other investment income		5	24	8		37
Share in result of associates and joint ventures		5		185		190
Realised capital gains (losses) on investments	4	1	59	62		126
Other realised and unrealised gains and losses	9	9	368	201		587
Other income	146	58	163	(128)	(14)	225
Total income, net of interest expense	**902**	**314**	**2,032**	**392**	**(14)**	**3,626**
Change in impairments	(40)	(4)	13	(10)		(41)
Net revenues	**862**	**310**	**2,045**	**382**	**(14)**	**3,585**
Expenses						
Staff expenses	(187)	(76)	(470)	(222)		(955)
Other expenses	(176)	(43)	(265)	(440)	14	(910)
Depreciation and amortisation of tangible and intangible assets	(1)	(2)	(11)	(46)		(60)
Allocation expense	(239)	(45)	(216)	500		
Total expenses	**(603)**	**(166)**	**(962)**	**(208)**	**14**	**(1,925)**
Profit before taxation	**259**	**144**	**1,083**	**174**		**1,660**
Income tax expense	(84)	(23)	(240)	1		(346)
Net profit for the period	**175**	**121**	**843**	**175**		**1,314**
Net gain (loss) on discontinued operations						
Net profit before minority interests	**175**	**121**	**843**	**175**		**1,314**
Net profit attributable to minority interests		5	5	8		18
Net profit attributable to shareholders	**175**	**116**	**838**	**167**		**1,296**

						2006
	Retail Banking	*Private Banking*	*Merchant Banking*	*Other Banking*	*Eliminations*	*Total Banking*
Income						
Interest income	1,675	278	6,441	4,785	353	13,532
Interest expense	(1,069)	(178)	(6,000)	(4,475)	(353)	(12,075)
Net interest income	606	100	441	310		1,457
Fee and commission income	166	148	628	15		957
Fee and commission expense	(44)	(12)	(42)	(13)		(111)
Net fee and commission income	122	136	586	2		846
Dividend and other investment income			16	4		20
Share in result of associates and joint ventures			7	3		10
Realised capital gains (losses) on investments		2	12	83		97
Other realised and unrealised gains and losses	9	8	537	330		884
Other income	14	5	35	137	(32)	159
Total income, net of interest expense	**751**	**251**	**1,634**	**869**	**(32)**	**3,473**
Change in impairments	(59)			(11)		(70)
Net revenues	**692**	**251**	**1,634**	**858**	**(32)**	**3,403**
Expenses						
Staff expenses	(169)	(68)	(392)	(219)		(848)
Other expenses	(176)	(43)	(233)	(423)	32	(843)
Depreciation and amortisation of tangible and intangible assets	(1)	(2)	(11)	(49)		(63)
Allocation expense	(240)	(30)	(226)	496		
Total expenses	**(586)**	**(143)**	**(862)**	**(195)**	**32**	**(1,754)**
Profit before taxation	**106**	**108**	**772**	**663**		**1,649**
Income tax expense	(29)	(25)	(152)	(266)		(472)
Net profit for the period	**77**	**83**	**620**	**397**		**1,177**
Net gain (loss) on discontinued operations						
Net profit before minority interests	**77**	**83**	**620**	**397**		**1,177**
Net profit attributable to minority interests			2	18		20
Net profit attributable to shareholders	**77**	**83**	**618**	**379**		**1,157**

12.5 Geographic segmentation

Fortis Bank Nederland (Holding) N.V.'s activities are managed on a worldwide basis. The table below shows key figures based on the location of the Fortis Bank Nederland (Holding) N.V. companies.

	Net Profit	*Total income*	*Number of employees*	*Total assets*
31 December 2008				
The Netherlands	(18,477)	(15,905)	7,482	167,482
Other European countries	(67)	525	1,548	14,954
Asia	48	115	466	843
Other countries	10	72	297	924
Total	**(18,486)**	**(15,193)**	**9,793**	**184,203**

1) number of employees in Full Time Equivalents

31 December 2007				
The Netherlands	996	2,840	7,689	244,229
Other European countries	213	571	1,542	23,198
Asia	46	120	461	3,802
Other countries	41	95	311	1,149
Total	**1,296**	**3,626**	**10,003**	**272,378**

31 December 2006				
The Netherlands	935	2,830	7,614	181,603
Other European countries	151	472	1,615	22,619
Asia	36	91	414	3,995
Other countries	35	80	306	1,532
Total	**1,157**	**3,473**	**9,949**	**209,749**

Notes to the balance sheet

13 Cash and cash equivalents

Cash includes cash on hand, available balances with central banks and other financial instruments with a term of less than three months from the date on which they were acquired. The composition of Cash and cash equivalents was as follows as at 31 December:

	31 December 2008	*31 December 2007*	*31 December 2006*
Cash on hand	125	106	119
Balances with central banks readily convertible in cash			
other than mandatory reserve deposits	2,361	114	63
Due from banks	4,284	34,473	17,782
Due from customers, current accounts	2,694	4,234	3,462
Other	395	342	649
Total	**9,859**	**39,269**	**22,075**
Less: impairments			
Total cash and cash equivalents	**9,859**	**39,269**	**22,075**

The average book value of Cash and cash equivalents for 2008 amounted to EUR 27,326 million (2007: EUR 27,685 million; 2006: EUR 13,767 million). The average yield in 2008 was 2.5 % (2007: 2.5 % 2006: 2.2%).

There were no amounts subject to withdrawal and usage restrictions.

14 Assets and liabilities held for trading

14.1 Assets held for trading

	31 December 2008	31 December 2007	31 December 2006
Debt securities:			
- Corporate debt securities	477	148	180
Equity securities	6,735	15,825	19,017
Total trading securities	**7,212**	**15,973**	**19,197**
Derivatives held for trading			
Over the counter (OTC)	6,687	7,057	4,180
Exchange traded	49	76	15
Total trading derivatives	**6,736**	**7,133**	**4,195**
Other assets held for trading		11	1
Total assets held for trading	**13,948**	**23,117**	**23,393**

Details of the derivative financial instruments are shown in note 30.

14.2 Liabilities held for trading

The table below shows the composition of Liabilities held for trading.

	31 December 2008	31 December 2007	31 December 2006
Short security sales	17,286	44,725	29,757
Derivative financial instruments:			
Over the counter (OTC)	6,385	7,723	3,204
Exchange traded	44	16	
Total derivatives held for trading	6,429	7,739	3,204
Other liabilities held for trading	1	2	
Total liabilities held for trading	**23,716**	**52,466**	**32,961**

14.3 Valuation techniques

The following table provides a specification of the methods used in determining the fair values of trading securities as at 31 December.

	2008	2007	2006
Trading securities (assets):			
Fair values of trading securities supported by observable market data	7,212	15,973	19,197
Fair values of trading securities obtained through a valuation technique			
Total	**7,212**	**15,973**	**19,197**
Short security sales (liabilities):			
Fair value supported by observable market data	17,286	44,725	29,756
Fair value obtained through a valuation technique			1
Total	**17,286**	**44,725**	**29,757**

For details on the calculation of fair values see note 31.

15 Due from banks

Due from banks consists of the following:

	31 December 2008	31 December 2007	31 December 2006
Interest-bearing deposits	450	3,037	4,345
Loans and advances	5,354	1,334	769
Securities borrowing transactions	17,197	32,942	21,129
Mandatory reserve deposits with central banks	549	1,453	829
Other	752	3	
Total	**24,302**	**38,769**	**27,072**
Less impairments	(30)	(1)	(1)
Due from banks	**24,272**	**38,768**	**27,071**

The average carrying amount of Due from banks in 2008 was EUR 47,666 million (2007: EUR 39,341 million; 2006: EUR 28,027 million).

In accordance with monetary policy, the various banking businesses are required to place amounts on deposit with the central banks in the countries where Fortis Bank Nederland (Holding) N.V. operates. Together with the amount that is reported under Cash and cash equivalents, the total balance held with central banks came to EUR 2,910 million at year end 2008 (2007: EUR 1,567 million 2006: EUR 893 million). The average outstanding balance with central banks (Cash and cash equivalents plus Due from banks) during 2008 amounted to EUR 1,687 million (2007; EUR 1,499 million; 2006: EUR 1,062 million).

Impairments on Due from banks

Changes in the impairments on Due from banks are as follows:

	2008	2007
Balance as at 1 January	**1**	**1**
Increase in impairments	34	
Release of impairments	(4)	(1)
Foreign exchange differences and other adjustments	(1)	1
Balance as at 31 December	**30**	**1**

Note 5 describes in greater detail the impairments for specific credit risk and incurred but not reported (IBNR).

16 Due from customers

The composition of Due from customers is as follows:

	31 December 2008	31 December 2007	31 December 2006
Government and official institutions	1,975	1,782	1,576
Residential mortgage	66,680	63,873	60,682
Consumer loans	3,152	3,193	4,892
Commercial loans	42,565	40,310	32,444
Securities borrowing transactions	8,307	20,811	23,493
Financial lease receivables	230	265	288
Factoring	1,823	1,913	1,532
Other loans	1	282	40
Held at fair value through profit or loss			4
Fair value adjustment from hedge accounting	1,404	(1,063)	(451)
Total	**126,137**	**131,366**	**124,500**
Less impairments	(1,445)	(395)	(462)
Due from customers	**124,692**	**130,971**	**124,038**

In 2008 the average amount of Due from customers was EUR 134,312 million (2007: EUR 136,834 million; 2006: EUR 117,248 million). The average yield in 2008 was 4.6% (2007: 4.3%; 2006: 5.5%).

Loans designated as available for sale are those loans purchased in the secondary markets that will subsequently be securitised and sold.

Other structured loans and contracts, including derivatives, are designated as Held at fair value through profit or loss, reducing a potential accounting mismatch.
Furthermore, Fortis Bank Nederland (Holding) N.V. hedges interest rate exposure of fixed-rate mortgages on a portfolio basis (macro hedging), using interest rate swaps.

As a result of the hedge, the volatility of changes in the hedged item's net present value (NPV) of future cash flows, due to changes in the appropriate benchmark interest rate curve, will be reduced by offsetting changes in the fair value of the hedging derivative financial instrument.

Hedged mortgages are prepayable fixed-rate mortgages with the following features:
- denominated in local currency (Euro);
- fixed term to maturity or repricing;
- prepayable amortising or fixed principal amounts;
- fixed interest payment dates;
- no interest rate options;
- accounted for on an amortised cost basis.

Mortgages with these features form a portfolio from which the hedged item is designated (fair value hedge accounting for a portfolio hedge of interest rate risk or 'macro hedge'). More than one group (or portfolio) of mortgages can be identified as the hedged item within the fixed rate mortgage portfolio. Mortgages included in a portfolio hedge of interest rate risk need to share the risk characteristics being hedged.

When notional swap cash flows exceed 95% of expected mortgage cash flows in any given month, the expected monthly mortgage cash flows on either side of the swap cash flow are designated as hedged items until all notional swap cash flows are matched. Mortgage cash flows are allocated to monthly time buckets based on expected repricing dates. Fortis Bank Nederland (Holding) N.V. estimates repricing dates using a prepayment rate applied to the contractual cash flows and repricing dates of the mortgage portfolio.

The hedging instruments are plain vanilla interest rate swaps entered into with external counterparties at market rates prevailing at the time of the transaction.

Changes in the fair value of mortgages which are attributable to the hedged interest rate risk are recorded under Fair value adjustment from hedge accounting in order to adjust the carrying amount of the loan. The difference between the fair value and the carrying value of the hedged mortgages at designation of the hedging is amortised over the remaining life of the hedged item and is also reported in Fair value adjustment from hedge accounting.

Financial lease receivables

Receivables related to financial lease agreements as at 31 December are comprised of:

			Minimum lease payments			*Present value of the minimum lease payments receivable*
	2008	*2007*	*2006*	*2008*	*2007*	*2006*
Gross investment in financial leases:						
Not later than 3 months	10	36	20	10	32	20
Later than 3 months and not later than 1 year	38	57	33	37	56	32
Later than 1 year and not later than 5 years	166	114	200	151	103	173
Later than 5 years	32	74	63	32	74	63
Total	**246**	**281**	**316**	**230**	**265**	**288**
Unearned finance income	16	16	28			

Impairments on Due from customers

The following table shows the changes in impairments on Due from customers.

	2008	*2007*
Balance as at 1 January	**395**	**462**
Increase in impairments	1,445	232
Release of impairments	(243)	(207)
Write-offs of uncollectible loans	(132)	(101)
Foreign exchange differences and other adjustments	(20)	9
Balance as at 31 December	**1,445**	**395**

The impairments for specific credit risk and incurred but not reported (IBNR) are described in more detail in note 5.

17 Investments

The composition of Investments is as follows:

	31 December 2008	31 December 2007	31 December 2006
Investments			
- Held to maturity	30	35	33
- Available for sale	3,552	3,209	3,798
- Held at fair value through profit or loss	151	123	179
- Investment property	90	79	3
- Associates and joint ventures	410	25,733	906
Total, gross	**4,233**	**29,179**	**4,919**
Impairments:			
- on investments available for sale	(10)	(8)	(3)
- on investments in associates and joint ventures	(22)		
Total impairments	**(32)**	**(8)**	**(3)**
Total	**4,201**	**29,171**	**4,916**

17.1 Investments held to maturity

The amortised cost and estimated fair value of Fortis Bank Nederland (Holding) N.V.'s Investments held to maturity as at 31 December are as follows:

	2008		2007		2006	
	Carrying amount	Fair values	Carrying amount	Fair values	Carrying amount	Fair values
Government bonds	30	30	35	35	33	33
Total investments held to maturity	**30**	**30**	**35**	**35**	**33**	**33**

There were no impairments on Held to maturity investments at 31 December 2008, 2007 and 2006.

17.2 Investments available for sale

The fair value and amortised cost of Available for sale investments including gross unrealised gains and gross unrealised losses are as follows:

	Historical/ amortised cost	*Gross unrealised gains*	*Gross unrealised losses*	*Impairments*	*Fair value*
31 December 2008					
Treasury bills and other eligible bills					
Government bonds					
Corporate debt securities	3,419	6	(1)		3,424
Structured credit instruments	10				10
Private equities and venture capital	34	10	(1)	(3)	40
Equity securities					
Other investments	41	34		(7)	68
Total	**3,504**	**50**	**(2)**	**(10)**	**3,542**
31 December 2007					
Treasury bills and other eligible bills					
Government bonds	46				46
Corporate debt securities	2,948				2,948
Private equities and venture capital	67	12	(1)	(2)	76
Equity securities					
Other investments	35	102		(6)	131
Total	**3,096**	**114**	**(1)**	**(8)**	**3,201**
31 December 2006					
Treasury bills and other eligible bills	4				4
Government bonds	1,885	44			1,929
Corporate debt securities	1,606	1			1,607
Private equities and venture capital	67	7	(1)	(3)	70
Equity securities	5	7			12
Other investments	79	94			173
Total	**3,646**	**153**	**(1)**	**(3)**	**3,795**

Government bonds detailed by country of origin

All government bonds were sold during 2008.

The government bonds detailed by country of origin for 2007 and 2006 were as follows as at 31 December:

	Historical/ amortised cost	*Gross unrealised gains (losses)*	*Fair value adjustments from hedge accounting*	*Fair value*
31 December 2007				
Dutch national government	46			46
Total	**46**			**46**
31 December 2006				
Belgian national government	355	6		361
Dutch national government	1,388	37		1,425
Italian national government	143			143
Other national governments	(1)	1		
Total	**1,885**	**44**		**1,929**

Net unrealised gains and losses on Available for sale investments included in equity

	31 December 2008	*31 December 2007*	*31 December 2006*
Available for sale investments in equity securities and other investments:			
Carrying amount	108	207	255
Gross unrealised gains and losses	44	114	109
- Related tax	(7)	(25)	(24)
Net unrealised gains and losses	**37**	**89**	**85**
Available for sale investments in debt securities:			
Carrying amount	3,434	2,994	3,540
Gross unrealised gains and losses	4		45
- Related tax	(1)		(11)
Net unrealised gains and losses	**3**		**34**

Available for sale investments in equity securities include private equities, venture capital and all other investments, excluding debt securities.

Impairments on investments available for sale

	2008	*2007*
Balance as at 1 January	**8**	**3**
Increase in impairments	1	7
Release of impairments		
Reversal on sale/disposal	1	(2)
Balance as at 31 December	**10**	**8**

17.3 Investments held at fair value through profit or loss

The following table provides information as at 31 December about the Investments that are held at fair value and for which unrealised gains or losses are recorded through profit or loss.

	31 December 2008	31 December 2007	31 December 2006
Private equities and venture capital	125	123	179
Equity securities	26		
Total investments held at fair value through profit or loss	**151**	**123**	**179**

In the Merchant Banking segment, some investments made by private equity entities of Fortis Bank Nederland (Holding) N.V. are measured at fair value through profit or loss, reflecting the business of investing in financial assets to profit from their total return in the form of interest or dividend and changes in fair value. Some other investments with embedded derivatives are also designated at fair value through profit or loss, reducing a potential accounting mismatch.

17.4 Investment property

Investment property mainly comprises residential, commercial and mixed use real estate, located primarily in The Netherlands. The following table shows the changes in Investment property for the year ended at 31 December.

	2008	2007
Acquisition cost as at 1 January	**80**	**3**
Acquisitions/divestments of subsidiaries		
Additions/purchases	22	65
Capital improvements		
Disposals		
Transfer from (to) property and equipment		13
Foreign exchange differences	(9)	(3)
Other	2	2
Acquisition cost as at 31 December	**95**	**80**
Accumulated depreciation as at 1 January	**(1)**	
Depreciation expense	(3)	(1)
Reversal of depreciation due to disposals		
Transfers from (to) real estate held for own use		
Foreign exchange differences		
Other	(1)	
Accumulated depreciation as at 31 December	**(5)**	**(1)**
Impairments as at 1 January		
Increase in impairments charged to income statement		
Reversal of impairments credited to income statement		
Reversal of impairments due to disposals		
Impairments as at 31 December		
Net investment property as at 31 December	**90**	**79**
Fair values supported by market evidence	58	37
Fair values subject to an independent valuation	35	44
Total fair value of investment property at 31 December	**93**	**81**

17.5 Investments in associates and joint ventures

The following table provides an overview of the most significant Investments in associates and joint ventures as at 31 December.

	2008	2007	2006
	Carrying amount	*Carrying amount*	*Carrying amount*
Joint ventures			
SR Hypotheken	48	47	43
Associates			
Debra International Finance Cooperatiëve UA	210	210	210
NIB Capital Foreign Debt fund V	1	150	527
Partship Holding B.V.	15	24	
Caipora International Finance Cooperatiëve UA	107	107	107
International Card Services B.V.	2		
Garant 42 N.V.	2		
RFS Holdings B.V.		24,201	
BAFB		990	
Stellar Marine			17
Other	3	4	2
Total	**388**	**25,733**	**906**

RFS Holdings B.V. is the acquirer of ABN AMRO shares in which Fortis Bank Nederland (Holding) N.V. had a participation of 33.8% until 24th December 2008. On this date the participation was sold to the Dutch State.

Fortis Bank Nederland (Holding) N.V.'s interests in its principal associates for the year ended 31 December are as follows:

	Total assets	*Total liabilities*	*Total income*	*Net profit*
2008				
Caipora International Finance Cooperatiëve UA	429	429	35	17
Debra International Finance Cooperatiëve UA	838		77	37
NIB Capital Foreign Debt fund V	1	1	17	16
2007				
RFS Holdings B.V.	485,556	470,763	4,127	530
BAFB	1,008		21	21
Caipora International Finance Cooperatiëve UA	429		35	17
Debra International Finance Cooperatiëve UA	838		64	30
NIB Capital Foreign Debt fund V	200		21	19
2006				
Caipora International Finance Cooperatiëve UA	429		35	17
Debra International Finance Cooperatiëve UA	838		76	37
NIB Capital Foreign Debt fund V	702		21	15

18 Other receivables

The table below shows the components of other receivables as at 31 December.

	31 December 2008	31 December 2007	31 December 2006
Fees and commissions receivable	34	31	37
Factoring receivables	1,769	1,959	1,676
Receivables related to securities transactions with banks	42	30	210
Receivables related to securities transactions with customers	917	1,256	784
Other	272	164	228
Total gross	**3,034**	**3,440**	**2,935**
Impairments	(5)	(5)	(15)
Net total	**3,029**	**3,435**	**2,920**

Other receivables include receivables related to VAT and other indirect taxes as well as transitory balances related to clearing activities.

19 Property and equipment

The table below shows the carrying amount for each category of Property and equipment as at 31 December.

	31 December 2008	31 December 2007	31 December 2006
Land and buildings held for own use	119	129	134
Leasehold improvements	146	146	138
Equipment	149	93	99
Buildings under construction			14
Total	**414**	**368**	**385**

Changes in Property and equipment

Changes in Property and equipment for the years 2008 and 2007 are shown below.

	2008				
	Land and Buildings held for own use	Leasehold improve-ments	Equipment	Buildings under construction	Total
Acquisition cost as at 1 January	**168**	**267**	**369**		**804**
Acquisitions/divestments of subsidiaries					
Additions		24	89		113
Reversal of cost due to disposals	(1)	(53)	(79)		(133)
Transfer from (to) investment property					
Foreign exchange differences	(9)				(9)
Other	2	(2)	(5)		(5)
Acquisition cost as at 31 December	**160**	**236**	**374**		**770**
Accumulated depreciation as at 1 January	**(35)**	**(121)**	**(276)**		**(432)**
Acquisitions/divestments of subsidiaries					
Depreciation expense	(3)	(17)	(32)		(52)
Reversal of depreciation due to disposals		49	75		124
Foreign exchange differences	1		2		3
Other	(2)		6		4
Accumulated depreciation as at 31 December	**(39)**	**(89)**	**(225)**		**(353)**
Impairments as at 1 January	**(4)**				**(4)**
Divestments of subsidiaries					
Increase of impairments charged to the income statement		(3)			(3)
Reversal of impairments credited to the income statement	2		(1)		1
Reversal of impairments due to disposals		2	1		3
Other					
Impairments as at 31 December	**(2)**	**(1)**			**(3)**
Property and equipment as at 31 December	**119**	**146**	**149**		**414**

					2007
	Land and Buildings held for own use	*Leasehold improve-ments*	*Equipment*	*Buildings under construction*	*Total*
Acquisition cost as at 1 January	**179**	**249**	**379**	**14**	**821**
Acquisitions/divestments of subsidiaries		(1)	(2)		(3)
Additions	31	29	37		97
Reversal of cost due to disposals	(39)	(9)	(43)		(91)
Foreign exchange differences	(3)	(1)	(3)		(7)
Other			1	(14)	(13)
Acquisition cost as at 31 December	**168**	**267**	**369**		**804**
Accumulated depreciation as at 1 January	**(42)**	**(110)**	**(280)**		**(432)**
Acquisitions/divestments of subsidiaries		1	2		3
Depreciation expense	(4)	(17)	(34)		(55)
Reversal of depreciation due to disposals	10	5	33		48
Foreign exchange differences		1	3		4
Other	1	(1)			
Accumulated depreciation as at 31 December	**(35)**	**(121)**	**(276)**		**(432)**
Impairments as at 1 January	**(4)**	**(1)**			**(5)**
Reversal of impairments due to disposals		1			1
Impairments as at 31 December	**(4)**				**(4)**
Property and equipment as at 31 December	**129**	**146**	**93**		**368**

Amounts in Other in Land and Buildings and Buildings under construction relate primarily to transfers to and from buildings held for sale.

Fair value of Land and buildings held for own use

The fair value of Land and buildings is set out below.

	31 December 2008	*31 December 2007*	*31 December 2006*
Total fair value of Land and buildings held for own use	**202**	**227**	**224**
Total carrying amount	119	129	134
Gross unrealised gain/loss	83	98	90
Taxation	(22)	(25)	(24)
Net unrealised gain/loss (not recognised in equity)	**61**	**73**	**66**

The depreciation of buildings is calculated using the straight-line method to write down the cost of such assets to their residual values over their estimated useful life's. The real estate is split into the following components: structure, closing, techniques and equipment, heavy finishing and light finishing.

The maximum useful life of the components is as follows:

Structure	50 years for offices and retail; 70 years for residential
Closing	30 years for offices and retail; 40 years for residential
Techniques and equipment	20 years for offices; 25 years for retail and 40 years for residential
Heavy finishing	20 years for offices; 25 years for retail and 40 years for residential
Light finishing	10 years for offices, retail and residential

Land has an unlimited useful life and is therefore not depreciated. IT, office and equipment are depreciated over their respective useful life's, which have been determined individually. As a general rule, residual values are considered to be zero.

20 Goodwill and other intangible assets

Goodwill and other intangible assets as at 31 December are as follows:

	2008	*2007*	*2006*
Goodwill	162	193	213
Purchased software	14	10	6
Internally developed software	6	21	8
Other intangible assets			1
Total	**182**	**224**	**228**

Intangible assets are amortised in accordance with the expected life's of the assets. Under IFRS, goodwill is tested for impairment at least annually by comparing the recoverable amount to the carrying value.

Other intangible assets include intangible assets with definite useful life's, such as concessions, patents, licences, trademarks and other similar rights. In general, software is amortised over a maximum of five years and other intangible assets have an expected useful life of 10 years at most.

Internally developed software concerns mainly large-scale administrative and organisational investment projects that introduce or replace an important business platform or model. These internal projects are in their development phase and are capitalised according to IAS 38 Intangible assets.

With the exception of goodwill, Fortis Bank Nederland (Holding) N.V. does not have intangible assets with indefinite useful life's.

Changes in Goodwill and other intangible assets

Changes in Goodwill and other intangible assets for the years 2008 and 2007 are shown below.

				2008
	Goodwill	*Purchased software*	*Internally developed software*	*Total*
Acquisition cost as at 1 January	**193**	**50**	**21**	**264**
Acquisitions/divestments of subsidiaries	(26)			(26)
Additions		14	15	29
Adjustments arising from subsequent changes in value of assets and liabilities				
Reversal of cost due to disposals		(9)	(24)	(33)
Foreign exchange differences	1			1
Other		7		7
Acquisition cost as at 31 December	**168**	**62**	**12**	**242**
Accumulated amortisation as at 1 January		**(40)**		**(40)**
Acquisitions/divestments of subsidiaries				
Amortisation expense		(7)	(4)	(11)
Reversal of amortisation due to disposals		7	4	11
Foreign exchange differences				
Other		(6)		(6)
Accumulated amortisation as at 31 December		**(46)**		**(46)**
Impairments as at 1 January				
Divestments of subsidiaries				
Increase in impairments charged to the income statement	(6)	(3)	(26)	(35)
Reversal of impairments credited to the income statement				
Other		1	20	21
Impairments as at 31 December	**(6)**	**(2)**	**(6)**	**(14)**
Goodwill and other intangible assets as at 31 December	**162**	**14**	**6**	**182**

				2007
Acquisition cost as at 1 January	**213**	**61**	**8**	**282**
Acquisitions/divestments of subsidiaries	(14)	(1)		(15)
Additions	7	8	13	28
Adjustments arising from subsequent changes in value of assets and liabilities				
Reversal of cost due to disposals	(17)	(14)		(31)
Foreign exchange differences	(3)			(3)
Other	7	(4)		3
Acquisition cost as at 31 December	**193**	**50**	**21**	**264**
Accumulated amortisation as at 1 January		**(54)**		**(54)**
Acquisitions/divestments of subsidiaries		1		1
Amortisation expense		(4)		(4)
Reversal of amortisation due to disposals		14		14
Foreign exchange differences				
Other		3		3
Accumulated amortisation as at 31 December		**(40)**		**(40)**
Goodwill and other intangible assets as at 31 December	**193**	**10**	**21**	**224**

Other mainly relates to a transfer of other intangible assets to goodwill.

Additions of software and other intangible assets during the year relate to internally developed software.

Impairment on goodwill

Impairment testing on goodwill is performed annually at the end of the year by comparing the recoverable amount of cash-generating units (CGU) to their carrying amount. The recoverable amount is determined by the highest of the value in use or fair value less costs to sell. The type of acquired entity determines the definition of the type of CGU. Currently all CGUs have been defined at (legal) entity level.

The recoverable amount of a CGU is assessed through a discounted cash-flow model of the anticipated future cash-flows of the CGU. The key assumptions used in the cash flow model depend on input reflecting various financial and economic variables, including the risk-free rate in a given country and a premium to reflect the inherent risk of the entity being evaluated. These variables are determined on the basis of management’s judgement. If the entity is listed on a stock market, also this market price is considered as an element in the evaluation.

Based on the goodwill impairment test of 2008 an impairment on goodwill was booked for an amount of EUR 6 million. There were no impairments on goodwill in 2007 and 2006.

The breakdown of goodwill and impairments for the main cash-generating units as at 31 December 2008 is as follows:

	Goodwill amount	*Segment*	*Method used for recoverable amount*
Cash-generating unit (CGU)			
Fortis Bank CI Ltd	62	Private Banking	Value in use
Fortis Intertrust	35	Private Banking	Value in use
Fortis Commercial Finance	23	Private Banking	Value in use
Fortis Factoring	8	Private Banking	Value in use
Atradius Factoring	22	Private Banking	Value in use
MeesPierson Private & Trust Holding	4	Private Banking	Value in use
Fortis Intertrust Management Service	7	Private Banking	Value in use
Other	1	Private Banking	Value in use
Total	**162**		

21 Accrued interest and other assets

The table below shows the components of Accrued interest and other assets as at 31 December.

	31 December 2008	31 December 2007	31 December 2006
Deferred other charges	12	8	
Accrued interest income	1,391	2,094	2,881
Accrued other income	381	1,691	
Derivatives held for hedging purposes		729	
Defined benefit assets	1	3	
Current income tax receivable	172	219	146
Other	1,413	2,155	1,498
Total gross	**3,370**	**6,899**	**4,525**
Impairments	(1)	(2)	
Accrued interest and other assets	**3,369**	**6,897**	**4,525**

Derivatives held for hedging purposes contain the positive fair value of all derivatives qualifying as hedging instruments in fair value and in cash flow hedges. The hedging strategies are further explained in note 5.

All purchases and sales of financial assets requiring delivery within the time frame established by regulation or market convention are recognised on the trade date, i.e. the date when Fortis Bank Nederland (Holding) N.V. becomes a party to the contractual provisions of the instrument. Other contains balancing temporary amounts between trade date and settlement date.
For more details on pension plans and related pension assets, see note 7.

22 Due to banks

The table below shows the components of Due to banks.

	31 December 2008	31 December 2007	31 December 2006
Deposits from banks:			
Demand deposits	1,134	10,093	12,407
Time deposits	3,880	35,984	37,649
Other deposits	3,783	12	18
Total deposits	**8,797**	**46,089**	**50,074**
Repurchase agreements		243	
Securities lending transactions	12,367	24,768	19,921
Other	145	211	149
Total due to banks	**21,309**	**71,311**	**70,144**

The average balance of Due to banks amounted to EUR 72,771 million (2007: EUR 82,823 million; 2006: EUR 64,875 million). The average yield was 7.3% in 2008 (2007: 7.6%; 2006: 6.4%).
Non-interest bearing deposits from banks were EUR 6 million in 2008 (2007: EUR 2 million; 2006: EUR 0 million).

Contractual terms of deposit held by banks

Deposits held by banks by year of contractual maturity as at 31 December are as follows:

	2008	2007	2006
2007			48,382
2008		44,785	1,348
2009	6,668	1,029	26
2010	1,005	2	2
2011	1,004		
2012	3	211	
2013	3		
Later	114	62	316
Total deposits	**8,797**	**46,089**	**50,074**

23 Due to customers

The components of Due to customers are as follows:

	31 December 2008	*31 December 2007*	*31 December 2006*
Demand deposits	28,339	31,759	30,323
Saving deposits	5,821	8,232	8,688
Time deposits	55,307	18,674	14,339
Other deposits		48	5
Total deposits	**89,467**	**58,713**	**53,355**
Securities lending transactions	2,280	4,181	3,666
Other borrowings	51	7,096	6,835
Total due to customers	**91,798**	**69,990**	**63,856**

The average balance of Due to customers amounted to EUR 74,285 million in 2008 (2007: EUR 68,267 million; 2006: EUR 59,561 million). The average yield was 3.6% in 2008 (2007: 4.8%; 2006: 3.8%).

The increase of the time deposits is caused by the funding of the Dutch State as described in note 11 Related parties.

Maturity dates of customer deposits

The maturity dates of customer deposits as at 31 December are shown below.

	2008	*2007*	*2006*
2007			51,200
2008		56,454	132
2009	81,360	240	169
2010	3,921	236	104
2011	1,031	156	81
2012	106	83	
2013	157		
Later	2,892	1,544	1,669
Total customer deposits	**89,467**	**58,713**	**53,355**

24 Debt certificates

The following table shows the types of Debt certificates issued by Fortis Bank Nederland (Holding) N.V. and the amounts outstanding as at 31 December.

	31 December 2008	31 December 2007	31 December 2006
Saving certificates	102	102	103
Commercial paper	27,761	32,694	24,573
Other	388		668
Total at amortised cost	**28,251**	**32,796**	**25,344**
Held at fair value through profit or loss			
Total debt certificates	**28,251**	**32,796**	**25,344**

The average balance of Debt certificates amounted to EUR 31,353 million in 2008 (2007: EUR 27,095; 2006: EUR 21,529 million). The average yield was 5.2% in 2008 (2007: 5.0% 2006: 3.4%).

The contractual maturity of the balance outstanding as at 31 December of Debt certificates valued at amortised cost, is shown below.

	2008	2007	2006
2007			4,454
2008		2,910	3,204
2009	6,659	7,678	6,674
2010	1,000	2,677	2,476
2011	5,370	5,225	4,042
2012	4	11,414	
2013	126		
Later	15,092	2,892	4,494
Total debt certificates	**28,251**	**32,796**	**25,344**

25 Subordinated liabilities

The following table provides a specification of the Subordinated liabilities as at 31 December.

	31 December 2008	*31 December 2007*	*31 December 2006*
Liability component of subordinated convertible securities	2,070	2,106	
Other hybrid and Tier 1 liabilities	450	548	557
Other subordinated liabilities	4,041	8,998	1,845
Total subordinated liabilities	**6,561**	**11,652**	**2,402**

The average balance for Subordinated liabilities was EUR 11,125 million in 2008 (2007: EUR 4,345 2006: EUR 2,129 million). The average yield was 6.0% in 2008 (2007: 4.5% 2006: 4.6%).

25.1 Subordinated convertible securities: MCS

On 7 December 2007, Fortis Bank Nederland (Holding) N.V., Fortis Bank SA/NV, Fortis SA/NV and Fortis N.V. issued Mandatory Convertible Securities ('MCS') with a nominal amount of EUR 2 billion and a denomination of EUR 250,000 each. Coupons on the securities are payable semi-annually, in arrears, at a rate of 8.75% annually. Accordingly, payments were made on June 7 2008 and December 7 2008.

For regulatory purposes, the MCS is treated as part of Tier 1 capital. The MCS constitutes unsecured and subordinated obligations of each of Fortis Bank Nederland (Holding) N.V., Fortis Bank SA/NV, Fortis SA/NV and Fortis N.V. As set out in the prospectus, the obligations of the issuers under the MCS are joint and several.

The MCS is subordinated to all other loans, subordinated loans and preference shares, but ranks senior to ordinary shares.

According to the applicable prospectus, the MCS will be converted mandatory on 7 December 2010 into such a number of Fortis shares as is equal to the maturity conversion property per MCS (conversion property per MCS means, in respect of any dealing day, a number of Fortis shares determined by dividing the principal amount of a MCS by the minimum conversion price in effect on such dealing day, rounded down, if necessary to the nearest whole number of Fortis shares).

Prior to the maturity date the Issuers may elect to convert all, but not some only, of the MCS (a) at any time up until the 46th dealing day prior to the maturity date into such number of Fortis Shares as is equal to the maximum proportion of the conversion property per MCS on the relevant conversion date, and (b) at any time in the event of certain changes affecting taxes of The Netherlands or Belgium into such number of Fortis shares as is equal to the tax event conversion property per MCS.

At any time during the holders' voluntary conversion period, holders of MCS may elect to convert MCS into such number of Fortis shares as is equal to the minimum proportion of the conversion property per MCS on the relevant conversion date. In addition, holders of MCS may elect to convert MCS at any time during the free float event period into such number of Fortis shares as is equal to the free float event conversion property per MCS on the relevant conversion date.

The MCS is recorded in the balance sheet as at 31 December as follows:

	2008	2007
Equity component	**(131)**	**(131)**
Liability component		
Balance as at 1 January	**2,106**	
Issued		2,107
Interest expense	139	11
Interest paid	(175)	(12)
Balance as at 31 December	**2,070**	**2,106**

25.2 Other hybrid and Tier 1 liabilities

Other hybrid and Tier 1 liabilities consist of Non-cumulative non-voting perpetual preference shares in the amount of EUR 450 million.

Non-cumulative non-voting perpetual preference shares

On 29 June 1999 Fortis Capital Company Limited (a 100% consolidated subsidiary of Fortis Bank Nederland (Holding) N.V.) issued non-cumulative non-voting perpetual preference shares. The regulator considers these preference shares as part of the Tier 1 capital of the bank. The issue was initially composed of two portions:

- a portion of EUR 450 million with a fixed coupon of 6.25% for the first ten years, and a variable coupon of 3-month Euribor + 2.60% in subsequent years. However, after 10 years (the ‘First Call Date’) and once a year in subsequent years Fortis Capital Company Limited has the opportunity to redeem the issued shares for cash;
- the other portion was redeemed early 2004.

The ‘First Call Date’ is on the tenth anniversary of the Closing Date, i.e. 29 June 2009. If Fortis Capital Company Limited would decide not to redeem the issued shares for cash on the First Call Date (the decision to be announced 60 trading days in advance), preference shares holders have a one-time option exercisable for settlement on the First Call Date to exchange the preference shares for ordinary Fortis shares (units), unless Fortis Capital Company Limited together with Fortis SA/NV and Fortis N.V. (as issuers of the Fortis shares) would jointly decide to effect a cash settlement.

The preference shares have the benefit of a Support Agreement, pursuant to which Fortis Bank Nederland (Holding) N.V., Fortis Bank SA/NV, Fortis SA/NV and Fortis N.V. (the ‘Supporting Companies’) jointly and severally agree to contribute to Fortis Capital Company Limited any additional funds necessary to allow it to pay dividends on the preference shares issued by Fortis Capital Company Limited in the event that any of the Supporting Companies pays a dividend on its ordinary or preference shares in the same financial year.

Under this arrangement, the payment of any dividend by any of the Supporting Companies on its own capital stock would automatically trigger a full or proportional dividend entitlement for the investors in the preference shares issued by Fortis Capital Company Limited.

25.3 Other subordinated liabilities

Other subordinated liabilities mainly consist of three loans from the Dutch State. These three loans have an interest range of 5.8% to 6.5% and a maturity range of 2010 to 2017

26 Other borrowings

The table below shows the components of Other borrowings as at 31 December.

	2008	2007	2006
Other	257	1,371	903
Total other borrowings	**257**	**1,371**	**903**

Other

Other borrowings, excluding finance lease obligations, are classified by remaining maturity in the table below.

	2008	2007	2006
Not later than 3 months		886	191
Later than 3 months and not later than 1 year	5	149	242
Later than 1 year and not later than 5 years	45	82	236
Later than 5 years	207	254	234
Total	**257**	**1,371**	**903**

27 Provisions

The table below shows the breakdown of Provisions as at 31 December.

	31 December 2008	31 December 2007	31 December 2006
Credit commitments	15	6	11
Restructuring	4	5	14
Other	78	68	66
Total provisions	**97**	**79**	**91**

Provisions for credit commitments are allowances covering credit risk on Fortis Bank Nederland (Holding) N.V.'s credit commitments recorded off-balance that have been identified individually or on a portfolio basis as impaired. The amount of the impairment is the present value of the cash flows, which Fortis Bank Nederland (Holding) N.V. expects to be required to settle its commitment.

Restructuring provisions cover the costs of restructuring plans for which implementation has been formally announced by Fortis Bank Nederland (Holding) N.V.'s management. Restructuring provisions are related to the integration of recently acquired entities and to the further streamlining of the global Fortis Bank Nederland (Holding) N.V. organisation and infrastructure. Restructuring provisions include allowances for staff and other operating expenses.

Other provisions consist mainly of provisions for tax litigations and legal litigation.

The tax and legal litigation provisions are based on best estimates available at the year end based on the opinion of legal and tax advisors. The timing of the outflow of cash related to these provisions is by nature uncertain given the unpredictability of the outcome and the time involved in concluding litigations.

Changes in Provisions during the year are as follows:

	Credit commitments	Restructuring	Other	Total
At 1 January 2007	**11**	**14**	**66**	**91**
Acquisition and divestment of subsidiaries				
Increase of provisions		4	28	32
Reversal of unused provisions	(5)	(3)	(8)	(16)
Utilised during the year		(9)	(20)	(29)
Accretion of interest				
Foreign exchange differences				
Other		(1)	2	1
At 31 December 2007	**6**	**5**	**68**	**79**
Acquisition and divestment of subsidiaries				
Increase of provisions	17	4	45	66
Reversal of unused provisions	(8)		(3)	(11)
Utilised during the year			(31)	(31)
Accretion of interest				
Foreign exchange differences				
Other		(5)	(1)	(6)
At 31 December 2008	**15**	**4**	**78**	**97**

28 Current and deferred tax

The table below summarises the tax position as at 31 December:

			2008			2007			2006
	Current	Deferred	Total	Current	Deferred	Total	Current	Deferred	Total
Assets	172	237	409	219	158	377	146	198	344
Liabilities	247	74	321	730	52	782	518	47	565

The components of deferred tax assets and deferred tax liabilities as at 31 December are shown below.

			Balance sheet			Income statement
	2008	2007	2006	2008	2007	2006
Deferred tax assets:						
Assets held for trading (trading securities /derivative financial instruments /other assets held for trading)	587		73	585	(73)	
Liabilities held for trading (short security sales / derivative financial instruments /other liabilities held for trading)	120	(56)	(202)	176	33	(470)
Investments (Held to maturity/Available for sale)						
Investment property	1	1	1			
Property and equipment	18	17	17			1
Due from customers	59	26	20	33	6	(13)
Impairments on loans	27	28	29		(1)	(16)
Provisions for pensions and post-retirement benefits	236	238	236			
Other provisions	17	17	16	1	1	(2)
Accrued expenses and deferred income			1			
Unused tax losses	168	78	25	84	55	24
Other	67	13	131	1	(117)	93
Gross deferred tax assets	**1,300**	**362**	**347**	**880**	**(96)**	**(383)**
Unrecognised deferred tax assets	(127)	(76)	(23)	(44)	(56)	(23)
Net deferred tax assets	**1,173**	**286**	**324**	**836**	**(152)**	**(406)**
Deferred tax liabilities related to:						
Assets held for trading (trading securities /derivative financial instruments /other assets held for trading)	376	256	(25)	(120)	(168)	14
Liabilities held for trading (short security sales / derivative financial instruments /other liabilities held for trading)	39			(39)		
Investments (Held to maturity/Available for sale)	14	36	51	5	4	(15)
Property and equipment	7	7	7			1
Due from customers	79	60	58	(19)	13	54
Impairments on loans	5	7	5	2	(2)	12
Debt certificates and subordinated liabilities						
Other provisions	77	75	72			(1)
Deferred policy acquisition costs		1	1			
Deferred expense and accrued income	50	1	2			
Tax exempt realised reserves						
Other	363	(263)	2	(624)	264	33
Total deferred tax liabilities	**1,010**	**180**	**173**	**(795)**	**111**	**98**
Deferred tax income (expense)				**41**	**(41)**	**(308)**
Net deferred tax	**163**	**106**	**151**			

The maturity for the net position unused tax losses and unrecognised deferred tax asset for 2008 is within 5 year EUR 38 million and more than 5 years EUR 3 million.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority. The amounts offset in the balance sheet are:

	2008	*2007*	*2006*
Deferred tax asset	237	158	198
Deferred tax liability	74	52	47
Net deferred tax	**163**	**106**	**151**

29 Accrued interest and other liabilities

The composition of Accrued interest and other liabilities as at 31 December is as follows:

	31 December 2008	31 December 2007	31 December 2006
Deferred revenues	579	455	464
Accrued interest expense	2,122	3,160	2,893
Accrued other expenses	1,144	1,393	788
Derivatives held for hedging purposes	1,612		41
Defined benefit liabilities	234	344	444
Other employee benefit liabilities	123	136	131
Accounts payable	206	62	52
Due to agents, policyholders and intermediaries			1
VAT and other taxes payable	42	42	30
Other liabilities	2,812	3,921	2,542
Total	**8,874**	**9,513**	**7,386**

Derivatives held for hedging purposes contains the negative fair value of all derivatives qualifying as hedging instruments in fair value hedges. The hedging strategies are further explained in note 5.

Further details on pension liabilities can be found in note 7. Other employee-benefit liabilities relate to, among other things, other post-employment benefits (see note 7), social-security charges, termination benefits and accrued-vacation days.

All purchases and sales of financial assets requiring delivery within the time frame established by regulation or market convention are recognised on the trade date, i.e. the date when Fortis Bank Nederland (Holding) N.V. becomes a party to the contractual provisions of the instrument.

Part of the line other employee benefit liabilities are the provisions for early departure programmes which are based on the arrangements in the collective labour agreements. The provisions are set up when the collective labour agreements are finalised and the cash outflows are in line with the terms of the collective labour agreements.

The line Other liabilities includes EUR 750 million (2007: EUR 815 million; 2006: EUR 0 million) regarding the carrying value of non-derivative financial instruments designated as hedging instruments in net investment hedges and EUR 1,591 million (2007: EUR 0 million; 2006: EUR 41 million) is related to non-derivative financial liabilities designated as hedging instruments in fair value hedges.

The remainder in the line Other liabilities mainly consists of balancing temporary amounts between trade date and settlement date.

Accrued interest and other liabilities also includes payments for services rendered in 2008 in relation to the Separation Agreement between Fortis Bank Nederland (Holding) N.V. and Fortis Bank SA/NV.

30 Derivatives

Derivatives include forwards, futures, swaps and option contracts, all of which derive their value from underlying interest rates, foreign exchange rates, commodity values, equity instruments or credit instruments.

A derivative contract may be traded either on an exchange or over-the-counter ('OTC'). Exchange traded derivatives, which include futures and option contracts, are standardised and generally do not involve significant counterparty risk due to the margin requirements of the individual exchanges. OTC derivative contracts are individually negotiated between contracting parties. Financial instruments can also include embedded derivatives, i.e. components of a hybrid (combined) instrument that also includes a non-derivative host contract, with the effect that some of the cash flows of the combined instrument vary similar to a stand-alone derivative.

The notional amounts of derivative contracts are not recorded in the balance sheet as assets or liabilities and do not represent the potential for gain or loss associated with such transactions. The exposure to the credit risk associated with counterparty non-performance is limited to the positive fair value of the derivative contracts.

Interest rate swaps are contractual agreements between two parties to exchange periodic payments in the same currency, each of which is computed on a different interest rate basis. Most interest rate swaps involve the net exchange of payments calculated as the difference between the fixed and floating interest rate payments. Fortis Bank Nederland (Holding) N.V. uses interest rate swaps to modify the interest rate characteristics of certain assets and liabilities. For example, based on long-term debt, an interest rate swap can be entered into to convert a fixed interest rate instrument into a floating interest rate instrument, in order to reduce the interest rate mismatch. Fortis Bank Nederland (Holding) N.V. also uses interest rate swaps to hedge the risk of price fluctuations of the trading securities.

Interest rate futures are exchange traded instruments and represent commitments to purchase or sell a designated security or money market instrument at a specified future date and price.

Interest rate forward agreements are OTC derivative instruments in which two parties agree on an interest rate and period which serve as a reference point in determining a net payment to be made by one party to the other, depending on the prevailing market rate at a future point in time.

Interest rate options are interest rate protection instruments that if exercised, involve the obligation of the seller to pay the buyer an interest rate differential in exchange for a premium paid by the buyer. This differential represents the difference between current rate and an agreed upon rate applied to a notional amount. Exposure to losses on all interest rate contracts will increase or decrease over their respective life's as interest rates fluctuate.

Currency swaps, in their simplest form, are contractual agreements that involve the exchange of both periodic and final payments in different currencies. The value of swap contracts depends upon their maturity dates, interest and foreign exchange rates, and the timing of payments.

Foreign exchange contracts, which include spot, forward and future contracts, represent agreements to exchange payments in different foreign currencies at an agreed exchange rate, on an agreed settlement date. These contracts are used to hedge net capital and foreign exchange exposure.

Foreign exchange option contracts are similar to interest rate option contracts, the difference being that they are based on currency exchange rates rather than interest rates. The value of these contracts will increase or decrease over their respective life's as currency exchange and interest rates fluctuate.

In exchange–traded foreign exchange contracts, exposure to off–balance sheet credit risk is limited, as these transactions are executed on organised exchanges that assume the obligations of counterparties and generally require security deposits and daily settlement of margins.

A commodity forward or future contract is a contract where the underlying is a commodity. A commodity swap is a swap where exchanged cash flows are dependent on the price of an underlying commodity. A commodity option is an option either to buy or to sell a commodity contract at a fixed price until a specified date.

Credit derivatives allow credit risk to be isolated from all other risks as well as from the instrument with which it is associated, so that the credit risk can be passed from one party to another. In a credit default swap, the buyer/beneficiary pays a premium and acquires the right to sell back a reference bond to the seller/guarantor if a credit event occurs.

A total return swap is a contract in which the beneficiary agrees to pay the guarantor the total return on the reference asset, which consists of all contractual payments as well as any appreciation in the market value of the reference asset.

Equity derivatives include equity swaps, options, futures and forward contracts. An equity swap is a swap in which the cash flows that are exchanged are based on the total return on a stock market index or on individual equity securities and an interest rate (either a fixed rate or a floating rate). Equity (or stock) options give the right to buy (in the case of a call option) or to sell (in the case of a put option) a fixed number of shares of a company, at a given price, before or on a specified date.

30.1 Derivatives held for trading

The Derivatives held for trading as at 31 December are composed of the following:

	Assets		Liabilities	
	Fair values	*Notional amount*	*Fair values*	*Notional amount*
2008				
Foreign exchange contracts				
Forwards and futures	1,950	61,667	1,849	58,986
Interest and currency swaps	125	1,773	130	1,784
Options	54	2,166	51	2,162
Total	**2,128**	**65,606**	**2,030**	**62,932**
Interest rate contracts				
Forwards and futures				
Swaps	1,199	52,574	1,264	52,574
Options	888	15,864	889	15,867
Total	**2,088**	**68,438**	**2,153**	**68,441**
Commodity contracts				
Forwards and futures				
Swaps	55	194	55	194
Options				
Total	**55**	**194**	**55**	**194**
Equity/Index contracts				
Forwards and futures		166		1
Swaps	107	691	435	685
Options and warrants	2,353	3,695	1,751	5,420
Total	**2,460**	**4,553**	**2,186**	**6,106**
Credit derivatives				
Swaps		536		536
Total		**536**		**536**
Other	**5**	**105**	**5**	**105**
Balance as at 31 December 2008	**6,736**	**139,432**	**6,429**	**138,314**
Fair values supported by observable market data	1,706		15	
Fair values obtained using a valuation model	5,030		6,414	
Total	**6,736**		**6,429**	
Over the counter (OTC)	6,687	138,626	6,385	137,673
Exchange traded	49	806	44	641
Total	**6,736**	**139,432**	**6,429**	**138,314**

	Assets		*Liabilities*	
	Fair values	*Notional amount*	*Fair values*	*Notional amount*
2007				
Foreign exchange contracts				
Forwards and futures	1,079	92,370	977	92,271
Interest and currency swaps	49	1,117	48	1,121
Options	34	3,264	34	3,271
Total	**1,162**	**96,751**	**1,059**	**96,663**
Interest rate contracts				
Forwards and futures		14		14
Swaps	843	114,326	769	114,324
Options	203	13,206	203	13,273
Total	**1,046**	**127,546**	**972**	**127,611**
Commodity contracts				
Forwards and futures				
Swaps	17	197	16	197
Options				
Total	**17**	**197**	**16**	**197**
Equity/Index contracts				
Forwards and futures	76	470	453	2,775
Swaps	363	30,424	1,076	14,542
Options and warrants	4,378	24,397	4,037	17,678
Total	**4,817**	**55,291**	**5,566**	**34,995**
Credit derivatives				
Forwards and futures				
Options				
Swaps		224		224
Other				
Total		**224**		**224**
Other	**91**	**131**	**126**	**131**
Balance as at 31 December 2007	**7,133**	**280,140**	**7,739**	**259,821**
Fair values supported by observable market data	579		1,488	
Fair values obtained using a valuation model	6,554		6,251	
Total	**7,133**		**7,739**	
Over the counter (OTC)	7,057	279,635	7,723	259,594
Exchange traded	76	505	16	227
Total	**7,133**	**280,140**	**7,739**	**259,821**

	Assets		Liabilities	
	Fair values	*Notional amount*	*Fair values*	*Notional amount*
2006				
Foreign exchange contracts				
Forwards and futures	419	61,901	412	61,882
Interest and currency swaps	24	521	19	517
Options	15	2,762	13	2,756
Total	**458**	**65,184**	**444**	**65,155**
Interest rate contracts				
Forwards and futures				
Swaps	834	89,401	802	89,401
Options	182	11,115	182	11,115
Total	**1,016**	**100,516**	**984**	**100,516**
Commodity contracts				
Forwards and futures				
Swaps	16	253	15	253
Options				
Total	**16**	**253**	**15**	**253**
Equity/Index contracts				
Forwards and futures	2	193	164	348
Swaps	554	9,339	276	21,215
Options and warrants	2,149	7,974	1,292	10,280
Total	**2,705**	**17,506**	**1,732**	**31,843**
Credit derivatives				
Forwards and futures				
Options				
Swaps				1,065
Other				
Total				**1,065**
Other			**29**	
Balance as at 31 December 2006	**4,195**	**183,459**	**3,204**	**198,832**
Fair values supported by observable market data	883		89	
Fair values obtained using a valuation model	3,312		3,115	
Total	**4,195**		**3,204**	
Over the counter (OTC)	4,180	183,375	3,204	198,715
Exchange traded	15	84		117
Total	**4,195**	**183,459**	**3,204**	**198,832**

30.2 Derivatives held for hedging purposes

The Derivatives held for hedging are mainly related to fair value hedges. Fortis Bank Nederland (Holding) N.V. uses derivatives, principally interest rate swaps, for hedging purposes in the management of its own asset and liability portfolios and structural positions. This enables Fortis Bank Nederland (Holding) N.V. to mitigate the market risk which would otherwise arise from structural imbalances in the maturity and other profiles of its assets and liabilities.

Hedging derivatives as at 31 December are shown below.

	Assets		*Liabilities*	
	Fair values	*Notional amount*	*Fair values*	*Notional amount*
2008				
Interest rate contracts				
Forwards and futures				
Swaps		33,893	1,591	33,893
Options				
Total		**33,893**	**1,591**	**33,893**
Net investment hedges			21	
Balance as at 31 December 2008		**33,893**	**1,612**	**33,893**
Fair values supported by observable market data			1,612	
Fair values obtained using a valuation model				
Total			**1,612**	
Over the counter (OTC)		33,893	1,591	33,893
Exchange traded				
Other			21	
Total		**33,893**	**1,612**	**33,893**

	Assets		*Liabilities*	
	Fair values	*Notional amount*	*Fair values*	*Notional amount*
2007				
Interest rate contracts				
Swaps	729	31,326		31,326
Total	**729**	**31,326**		**31,326**
Balance as at 31 December 2007	**729**	**31,326**		**31,326**
Fair values supported by observable market data	729			
Fair values obtained using a valuation model				
Total	**729**			
Over the counter (OTC)	729	31,326		31,326
Total	**729**	**31,326**		**31,326**

	Assets		*Liabilities*	
	Fair values	*Notional amount*	*Fair values*	*Notional amount*
2006				
Interest rate contracts				
Swaps		25,341	41	25,341
Total		**25,341**	**41**	**25,341**
Balance as at 31 December 2006		**25,341**	**41**	**25,341**
Fair values supported by observable market data			41	
Fair values obtained using a valuation model				
Total			**41**	
Over the counter (OTC)		25,341	41	25,341
Total		**25,341**	**41**	**25,341**

31 Fair values of financial assets and financial liabilities

The following table presents the carrying amounts and fair values of those classes of financial assets and financial liabilities not reported at fair value on the Fortis Bank Nederland (Holding) N.V. consolidated balance sheet. A description of the methods used to determine the fair value of financial instruments is given below.

	2008		2007		2006	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Assets						
Cash and cash equivalents	9,859	9,834	39,269	39,249	22,075	22,075
Due from banks	24,272	25,515	38,768	38,771	27,071	27,128
Due from customers	124,692	126,070	130,971	129,460	124,038	126,568
Investments held to maturity	30	30	35	35	33	33
Other receivables	3,029	3,029	3,435	3,435	2,920	2,921
Total financial assets	**161,882**	**164,478**	**212,478**	**210,950**	**176,137**	**178,725**
Liabilities						
Due to banks	21,309	22,229	71,311	71,544	70,144	70,420
Due to customers	91,798	92,935	69,990	69,006	63,856	63,344
Debt certificates	28,251	28,401	32,796	33,003	25,344	25,445
Subordinated liabilities	6,561	6,621	11,652	11,551	2,402	2,478
Other borrowings	257	257	1,371	1,383	903	903
Total financial liabilities	**148,176**	**150,443**	**187,120**	**186,487**	**162,649**	**162,590**

Fair value is the amount for which an asset could be exchanged, a liability settled or an equity instrument granted could be exchanged between knowledgeable, willing parties in an arm's length transaction.

Fortis Bank Nederland (Holding) N.V. uses the following methods, in the order listed, in determining the fair value of financial instruments:

- quoted price in an active market;
- valuation techniques;
- cost.

When a financial instrument is traded in an active and liquid market, its quoted market price or value provides the best evidence of fair value. No adjustment is made to the fair value of large holdings of shares, unless there is a binding agreement to sell the shares at a price other than the market price. The appropriate quoted market price for an asset held or a liability to be issued is the current bid price, and for an asset to be acquired or a liability held, the ask price. Mid-market prices are used as a basis for establishing fair values of assets and liabilities with offsetting market risks.

If no active market price is available, fair values are estimated using present value or other valuation techniques based on market conditions existing at the reporting date. If there is a valuation technique commonly used by market participants to price an instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, Fortis Bank Nederland (Holding) N.V. applies that technique.

Valuation techniques that are well established in financial markets include recent market transactions, discounted cash flows and option pricing models. An acceptable valuation technique incorporates all factors that market participants would consider in setting a price, and should be consistent with accepted economic methodologies for pricing financial instruments.

The basic principles in estimating fair value are:

- maximise market inputs and minimise internal estimates and assumptions;
- change estimation techniques only if an improvement can be demonstrated or if a change is necessary because of changes in the availability of information.

The fair value presented is the ‘clean’ fair value, which is the total fair value or ‘dirty’ fair value less interest accruals. Interest accruals are reported separately.

Methods and assumptions used in determining fair value are largely dependent on whether the instrument is traded on financial markets and what information is available to be incorporated into the valuation models. A summary of different financial instrument types along with the fair value treatment is included below.

Quoted market prices are used for financial instruments traded on a financial market with price quotations.

Non-exchange-traded financial instruments are often traded in over-the-counter (OTC) markets by dealers or other intermediaries from whom market prices are obtainable.

Quotations are available from various sources for many financial instruments traded regularly in the OTC market. Those sources include the financial press, various quotation publications and financial reporting services, and individual market makers.

Quoted market prices provide the most reliable fair value for derivatives traded on a recognised exchange. Fair value for derivatives not traded on a recognised exchange is considered to be the value that could be realised through termination or assignment of the derivative.

Common valuation methodologies for an interest rate swap incorporate a comparison of the yield of the swap with the current swap yield curve. The swap yield curve is derived from quoted swap rates. Dealer bid and offer quotes are generally available for basic interest rate swaps involving counterparties whose securities are investment-grade.

Factors that influence the valuation of an individual derivative include the counterparty’s credit standing and the complexity of the derivative. If these factors differ from the basic factors underlying the quote, an adjustment to the quoted price may be considered.

The fair value (FV) calculation of financial instruments not actively traded on financial markets can be summarised as follows:

Instrument Type	**Fortis Products**	**FV Calculation**
Instruments with no stated maturity	Current accounts, saving accounts, etc.	Nominal value.
Instruments without optional features	Straight loans, deposits, etc.	Discounted cash flow methodology; discounting yield curve is the swap curve plus spread (assets) or the swap curve minus spread (liabilities); spread is based on commercial margin computed based on the average on new production during last 3 months.
Instruments with optional features	Mortgage loans and other instruments with option features	Product is split and linear (non-optional) component is valued using a discounted cash flow methodology and option component valued based on option pricing model.
Subordinated loans	Subordinated loans	Discounted cash flow methodology in which spread is based on subordination cost for Fortis based on market quotations.
Private equity	Private equity and non-quoted participations investments	In general based on the European Venture Capital Association valuation guidelines, using amongst others Enterprise Value/EBITDA, Price/Cash flow and Price/Earnings.
Preference shares (non-quotes)	Preference shares	If the share is characterised as a debt instrument, a discounted cash flow model is used.

Fortis Bank Nederland (Holding) N.V. has a policy in place aimed at quantifying and monitoring pricing uncertainties related to the calculation of fair values using valuation techniques and internal models. Related uncertainties are a feature of the ‘model risk’ concept.

Model risk arises when the product pricing requires valuation techniques which are not yet standardised or for which input data cannot be directly observed in the market, leading to assumptions on the input data themselves.

The development of new, sophisticated products in the market has resulted in the development of mathematical models to price them. These models in turn depend on assumptions regarding the stochastic behaviour of underlying variables, numerical algorithms and other possible approximations needed to replicate the complexity of the financial instruments.

Furthermore, the underlying hypotheses of a model depend on the general market conditions (e.g. specific interest rates, volatilities) prevailing at the time it is developed. There is no guarantee that the model will continue to yield adequate results should market conditions change drastically.

Any related model uncertainty is quantified as accurately as possible and is the basis in adjusting the fair value calculated by the valuation techniques and internal models.

Notes to the income statement

32 Exceptional items

As shown in the consolidated income statement a separate column has been added to show the sale of RFS Holdings B.V. and the Madoff fraud.

Sale of participation RFS Holdings B.V.

On 24 December 2008, Fortis Bank Nederland (Holding) N.V. sold and transferred its stake in RFS Holdings B.V. to the Dutch State. In respect to the future integration of Fortis Bank Nederland (Holding) N.V. and ABN AMRO, the Management Board and the Dutch State preferred to have the direct controlling interest in ABN AMRO at the Dutch State. The transfer allowed Fortis Bank Nederland (Holding) N.V. to improve its governance structure. The transfer of RFS Holdings for an amount of EUR 6.5 billion had a positive effect on the solvency and liquidity position of Fortis Bank Nederland (Holding) N.V.

RFS Holdings B.V. was recorded as an equity associate for EUR 24.2 billion. The realised capital loss at Fortis Bank Nederland (Holding) N.V. amounted to EUR 16.8 billion. The transactions had a positive impact on the capital ratio of 0.9%.

The financing costs for the take over of RFS Holdings B.V. until 24 December 2008 belonging to Fortis Bank Nederland (Holding) N.V. amount to EUR 441 million after tax. This amount is accounted for in the Income statement of 2008.

Madoff fraud

On Thursday 11 December, Bernard L. Madoff, founder of Bernard L. Madoff Investment Securities LLC, was arrested by U.S. federal law enforcement and charged with a single count of securities fraud. The Securities and Exchange Commission (SEC) also charged Mr. Madoff with securities fraud. While Fortis Bank Nederland (Holding) N.V. has no direct exposure to Bernard L. Madoff Investment Securities LLC, parts of the bank do have exposures to certain funds it provides collateralized lending to. Once, as a result of the alleged fraud, the value of the assets of these funds is nil and the respective clients cannot meet their obligations, Fortis Bank Nederland (Holding) N.V.'s loss could amount to approximately EUR 1 billion. Even though the facts surrounding the alleged fraud are not completely clear yet, a provision has been taken amounting to EUR 972 million before tax.

33 Net Interest Income

33.1 Interest income

The breakdown of Interest income by type of product for the year ended 31 December is shown below.

	2008	2007	2006
Interest income			
Interest income on cash equivalents	672	679	307
Interest income on due from banks	5,482	7,048	4,224
Interest income on investments	124	217	283
Interest income on due from customers	6,203	5,911	5,307
Interest income on derivatives held for trading	3,231	4,041	2,716
Other interest income	1,645	1,273	695
Total interest income	**17,357**	**19,169**	**13,532**

The interest on impaired loans amounted in 2008 to EUR 42 million (2007: EUR 27 million; 2006: EUR 0 million).

33.2 Interest expense

The following table shows the breakdown of Interest expenses by product for the year ended 31 December.

	2008	2007	2006
Interest expenses			
Interest expenses due to banks	5,307	6,321	4,260
Interest expenses due to customers	2,686	3,254	2,134
Interest expenses on debt certificates	1,630	1,352	726
Interest expenses on subordinated liabilities	668	197	99
Interest expenses on other borrowings	19	75	546
Interest expenses on liabilities held for trading and derivatives	3,818	5,120	3,133
Interest expenses on other liabilities	2,207	1,315	1,177
Total interest expenses	**16,335**	**17,634**	**12,075**

The interest expense includes an amount of EUR 582 million related to the financing costs of RFS Holdings B.V.

34 Dividend and other investment income

This table provides details of dividend and other investment income for the year ended 31 December.

	2008	*2007*	*2006*
Dividend and other investment income			
Dividend income from equity securities	22	29	19
Rental income from investment property	5	8	1
Total dividend and other investment income	**27**	**37**	**20**

35 Share in result of associates and joint ventures

Share in result of associates and joint ventures are as follows for the year ended 31 December:

	2008	*2007*	*2006*
Share in result of associates and joint ventures	(896)	190	10
Share in result of associates and joint ventures	**(896)**	**190**	**10**

In 2008 the result of the participation of Fortis Bank Nederland (Holding) N.V. in RFS Holdings B.V. is EUR (905) million (2007: EUR 179 million).

36 Realised capital gains and losses on investments

For the year ended 31 December, Realised capital gains and losses on investments are broken down as follows:

	2008	2007	2006
Debt securities		13	7
Equity securities	39	60	86
Real estate	2	63	
Subsidiaries, associates and joint ventures	(16,845)	(12)	4
Other	(3)	2	
Realised capital gains (losses) on investments	**(16,807)**	**126**	**97**

The realised capital gains and losses include an amount of EUR (16,822) million related to the sale of RFS Holdings B.V.

37 Other realised and unrealised gains and losses

Other realised and unrealised gains and losses as included in the income statement for the year ended 31 December are presented below.

	2008	2007	2006
Assets/liabilities held for trading	332	378	626
Assets and liabilities held at fair value through profit or loss	(15)	57	73
Hedging results	123	152	185
Other	(9)		
Other realised and unrealised gains and losses	**431**	**587**	**884**

All gains and losses arising from a change in the fair value of a financial asset or a financial liability, excluding interest accruals recorded under Interest income and Interest expense, are recorded in Other realised and unrealised gains and losses.

Assets and liabilities held for trading, including derivatives held for trading, are acquired principally for the purpose of generating a profit from short-term fluctuations in the price or the dealer’s margin. Initial recognition is at acquisition cost, including any transaction costs to acquire the financial instrument. Subsequent measurement is at fair value with changes in fair value recorded in the income statement.

All changes in fair value of the assets and liabilities held at fair value through profit or loss are reported above. This includes unrealised gains and losses from revaluations and realised gains and losses upon derecognition of the assets or liabilities.

Hedging results contain the changes in fair value attributable to the hedged risk – mainly interest-rate risk – of hedged assets and liabilities and the changes in fair value of the hedging instruments.

In the context of portfolio hedges of interest rate risk (macro hedging), the initial difference between the fair value and the carrying value of the hedged item at designation of the hedging relationship is amortised over the remaining life of the hedged item. These amounts are included in Hedging results in the table above.

38 Net Fee and commission Income

38.1 Fee and commission income

Fee and commission income for the year ended 31 December is specified in the table below.

	2008	2007	2006
Fee and commission income			
Securities and custodian services	393	404	239
Reinsurance commissions and insurance and investment fees	16	22	47
Asset management	297	314	325
Payment services	268	274	176
Guarantees and commitment fees	80	62	56
Other service fees	54	92	114
Total fee and commission income	**1,108**	**1,168**	**957**

38.2 Fee and commission expense

The components of Fee and commission expenses for the year ended 31 December are as follows:

	2008	2007	2006
Fee and commission expenses			
Securities	174	124	34
Intermediaries	19	23	14
Asset management fees	6	12	11
Payment services	56	45	44
Custodian fees	16	6	5
Other fee and commission expenses	14	32	3
Total fee and commission expenses	**285**	**242**	**111**

39 Other income

Other income includes the following elements for the year ended 31 December.

	2008	*2007*	*2006*
Other income			
Operating lease income	5	3	4
Other	202	222	155
Total other income	**207**	**225**	**159**

40 Change in impairments

The Changes in impairments for the year ended 31 December are as follows:

	2008	2007	2006
Change in impairments on:			
Due from banks	30	(1)	(1)
Due from customers	1,202	25	67
Credit commitments - customers	10	8	(3)
Investments in equity securities and other	1	7	1
Investments in associates and joint ventures	22		
Other receivables	1		2
Property and equipment	1		4
Goodwill and other intangible assets	35		
Accrued interest and other assets	1	2	
Total change in impairments	**1,303**	**41**	**70**

The change in impairments includes an amount of EUR 972 million related to the Madoff fraud.

41 Depreciation and amortisation of tangible and intangible assets

The Depreciation and amortisation of tangible and intangible assets for the year ended 31 December is as follows:

	2008	*2007*	*2006*
Depreciation on tangible assets			
Buildings held for own use	3	4	4
Leasehold improvements	17	17	18
Investment property	3	1	
Equipment	32	34	35
Amortisation on intangible assets			
Purchased software	7	4	4
Internally developed software	4		
Other intangible assets	1		2
Depreciation and amortisation of tangible and intangible assets	**67**	**60**	**63**

42 Staff expenses

Staff expenses for the year ended 31 December are as follows:

	2008	2007	2006
Staff expenses			
Salaries and wages	700	747	720
Social security charges	73	68	49
Pension expenses relating to defined benefit plans	26	31	35
Defined contribution plan expenses	17	26	41
Other	99	83	3
Total staff expenses	**915**	**955**	**848**

Note 7 contains further details on Post-employment benefits and Other long-term employee benefits, including pension costs related to defined benefit plans and defined contribution plans.

Other includes the costs for non-monetary benefits such as medical costs, termination benefits, restructuring costs and the share based payments.

43 Other expenses

Other expenses for the year ended 31 December are as follows:

	2008	2007	2006
Other expenses			
Operating lease rental expenses and related expenses	97	100	92
Professional fees	90	70	76
Marketing and public relations costs	52	50	54
Information technology costs	149	145	146
Maintenance and repair expenses	28	31	33
External staff costs	78	73	49
Traveling	21	27	28
Post, telephone and transport	52	56	56
Integration and separation costs RFS Holdings B.V.	62	12	
Other	419	346	309
Total other expenses	**1,048**	**910**	**843**

The line Other includes expenses for temporary staff, consultants and training.

44 Income tax expenses

The components of Income tax expenses for the year ended 31 December are:

	2008	2007	2006
Current tax expenses for the current period	(170)	272	149
Adjustments recognised in the period for			
current tax of prior periods	(6)	16	22
Previously unrecognised tax losses, tax credits and			
temporary differences increasing (reducing) current tax expenses	161	17	(7)
Total current tax expenses	**(15)**	**305**	**164**
Deferred tax arising from the current period	(86)	(21)	257
Impact of changes in tax rates on deferred taxes	4		25
Deferred tax arising from the write-down or reversal			
of a write-down of a deferred tax asset	44	60	24
Previously unrecognised tax losses, tax credits and			
temporary differences reducing deferred tax expense	(3)	2	2
Total deferred tax expenses	**(41)**	**41**	**308**
Total income tax expenses	**(56)**	**346**	**472**

Profit before taxation includes income items on which no income tax is payable as well as expenses which are not tax deductible.

The income tax expense includes in 2008 an amount of EUR 141 million related to the financing costs of RFS Holdings B.V and an amount of EUR 50 million related to the Madoff fraud.

Below is a reconciliation of the expected to the actual income tax expense. The average rate was 24.1% in 2008 (2007: 22.8%; 2006: 28.6%)

	2008	2007	2006
Profit before taxation	(18,526)	1,660	1,649
Applicable tax rate	25.5%	25.5%	29.6%
Expected income tax expense	(4,724)	423	488
Increase (decrease) in taxes resulting from:			
Tax exempt income	4,173	(154)	(103)
Share in result of associates and joint ventures	230	(47)	(1)
Disallowed expenses	167	(6)	3
Previously unrecognised tax losses and temporary differences	(7)	(2)	11
Write-down and reversal of write-down of deferred tax assets	67	87	41
Impact of changes in tax rates on temporary differences	4		25
Foreign tax rate differential	(4)	5	(14)
Adjustments for current tax of prior years	(5)	16	22
Other	43	24	
Actual income tax expenses	**(56)**	**346**	**472**

Notes to off-balance sheet items

45 Commitments and guarantees

Commitments and guarantees include acceptances, commitments to extend credit, letters of credit, suretyships and financial guarantees. Fortis Bank Nederland (Holding) N.V.'s exposure to credit loss in the event of non-performance by the counterparty is represented by the contractual notional amounts of those instruments. Fees received from these activities are recorded in the income statement when the service is delivered.

Acceptances are used by customers to effect payments for merchandise sold in import-export transactions.

Credit commitments are agreements to extend a loan to a customer as long as there are no violations of any conditions laid down in the agreement. Commitments generally have fixed expiration dates or other termination clauses. The geographic and counterparty distribution of loan commitments approximates the distribution of outstanding loans. These commitments are generally unsecured and if necessary, collateral may be required.

Letters of credits either ensure payment by Fortis Bank Nederland (Holding) N.V. to a third party for a customer's foreign or domestic trade or are conditional commitments issued by Fortis Bank Nederland (Holding) N.V. to guarantee the performance of a customer to a third party. Fortis Bank Nederland (Holding) N.V. evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained is based on credit evaluation of the counterparty. Collateral could consist of the goods financed as well as of cash deposits. Most documentary credits are taken out, though in many cases this is followed by immediate payment.

Suretyships and financial guarantees are used to guarantee performance of a customer. The credit risk involved in issuing these guarantees is essentially the same as that involved in extending loan facilities to customers. These suretyships and guarantees may be unsecured.

The following is a summary of the credit related commitments of Fortis Bank Nederland (Holding) N.V. at 31 December.

	2008	*2007*	*2006*
Credit related commitments			
Government and official institutions	617	604	394
Credit institutions	791	1,001	349
Corporate	38,510	33,538	41,203
Retail	9,286	10,614	9,422
Total	**49,204**	**45,757**	**51,368**
Credit related commitments given			
Guarantees and letters of credit	2,470	2,830	2,638
Banker's acceptances	124	58	63
Documentary credits	3,405	4,944	3,422
Total other credit commitments gross	**5,999**	**7,832**	**6,123**
Total other credit related commitments	**55,203**	**53,589**	**57,491**

Of these commitments around EUR 4,206 million have a maturity of more than one year (2007: EUR 5,631 million; 2006: EUR 3,094 million).

Liquidity requirements to support calls under guarantees and credit commitments are considerably less than the contractual amounts outstanding, as many of these commitments will expire or terminate without being funded.

The impairments related to credit commitments amounted to EUR 15 million at year-end 2008 (2007: EUR 6 million; 2006: EUR 11 million).

In addition to the items included in contingent liabilities, Fortis Bank Nederland (Holding) N.V. has issued guarantees as a participant in collective arrangements of national industry bodies and as a participant in government required collective guarantee schemes which apply in different countries.

46 Contingent liabilities

Like any other financial institution, Fortis Bank Nederland (Holding) N.V. is sometimes involved in various claims, disputes and as a defendant in legal proceedings arising in the ordinary course of the banking business.

Fortis Bank Nederland (Holding) N.V. makes provisions for such matters when, in the opinion of management, who consult with legal advisors, it is probable that a payment will have to be made by Fortis Bank Nederland (Holding) N.V., and when the amount can be reasonably estimated.

In respect of further claims and legal proceedings against Fortis Bank Nederland (Holding) N.V. of which management is aware (and which, according to the principles outlined above, have not been provided for), it is the opinion of management, after due consideration of appropriate professional advice, that such claims are without merit, can be successfully defended or that the outcome of these actions is not expected to result in a significant loss in the Fortis Bank Nederland (Holding) N.V. Consolidated Financial Statements.

47 Lease agreements

Fortis Bank Nederland (Holding) N.V. has entered into lease agreements to provide for office space, office equipment and vehicles. The following table reflects future commitments for non-cancellable operating leases as at 31 December.

	2008	*2007*	*2006*
Not later than 3 months	1	1	
Later than 3 months and not later than 1 year	4	4	2
Later than 1 year and not later than 5 years	13	7	11
Later than 5 years			
Total	**18**	**12**	**13**

48 Assets under management

Assets under management include investments for own account and funds under management. Funds under management include investments that are managed on behalf of clients, either private or institutional, and on which Fortis Bank Nederland (Holding) N.V. earns a management or advice fee. Discretionary capital (capital actively managed by Fortis Bank Nederland (Holding) N.V.) as well as advisory capital is included in funds under management.

Eliminations in the various tables relates to the funds under management of clients invested in funds managed by Fortis Bank Nederland (Holding) N.V. that otherwise would be counted double.

The following table provides a breakdown of Assets under management by investment type and origin.

	31 December 2008	*31 December 2007*	*31 December 2006*
Investments for own account:			
- Debt securities	3,463	3,029	3,575
- Equity securities	260	330	431
- Real estate	90	79	3
- Other	388	25,733	907
Total investments for own account	**4,201**	**29,171**	**4,916**
Funds under Management:			
- Debt securities	10,064	14,774	13,749
- Equity securities	14,166	18,229	19,331
- Real estate	21		4
- Eliminations		(2,530)	(2,376)
Total funds under management	**24,251**	**30,473**	**30,708**
Total assets under management	**28,452**	**59,644**	**35,624**

Changes in funds under management by segment are shown below.

	Retail Banking	*Asset Management*	*Private Banking*	*Merchant Banking*	*Other*	*Eliminations*	*Total*
Balance at 31 December 2007	**1,038**		**31,493**	**92**	**380**	**(2,530)**	**30,473**
In/out flow	(190)		288	(17)	(111)	433	403
Market gains /losses	(236)		(2,815)			225	(2,826)
Other			(5,609)	(62)		1,872	(3,799)
Balance at 31 December 2008	**612**		**23,357**	**13**	**269**		**24,251**

The column Other includes funds under management managed by operating companies reported in the Other Banking segment. The line Other includes the transfers between segments, the impact of acquisitions and divestments and the currency translation differences.

49 Post-balance sheet date events

On 1 January 2009 Fortis Bank Nederland (Holding) N.V. sold a 22% share of European Multilateral Clearing Facility (EMCF) to Nasdaqom to sustain further growth. In return EMCF will become the incumbent central counterparty for the Nordics market.

Fortis Bank Nederland (Holding) N.V.
Company Financial Statements

Company balance sheet

(before profit appropriation)

	31 December 2008	31 December 2007	31 December 2006
Assets			
Cash and cash equivalents	2,385	860	180
Assets held for trading	74	544	709
Due from banks	4,547	6,185	4,878
Due from customers	1	2	653
Investments:			
- *Associates and joint ventures*		24,201	
Participation interest in group companies	6,661	7,465	6,445
Accrued interest and other assets	162	83	74
Total assets	**13,830**	**39,340**	**12,939**
Liabilities			
Liabilities held for trading	45	516	17
Due to banks	742	2	57
Due to customers	1	1	3
Debt certificates	3,734	4,961	4,782
Subordinated liabilities	5,912	10,455	1,543
Other borrowings		850	
Provisions	28		
Current and deferred tax liabilities	277	542	549
Accrued interest and other liabilities	147	250	78
Total liabilities	**10,886**	**17,577**	**7,029**
Issued capital and reserves	2,944	21,763	5,910
Issued capital and reserves	**2,944**	**21,763**	**5,910**
Total liabilities and equity	**13,830**	**39,340**	**12,939**

Company income statement

	2008	*2007*	*2006*
Result from participating intrests after taxes	(922)	1,233	1,135
Other result after taxes	(17,564)	63	22
Net profit attributable to shareholders	**(18,486)**	**1,296**	**1,157**

Company statement of changes in equity

	Share capital	*Share premium reserve*	*Other reserves*	*Currency translation reserve*	*Net profit attributable to shareholders*	*Legal and statutory reserves*	*Unrealised gains and losses*	*Issued capital and reserve*
Balance at 31 December 2006	**497**	**2,195**	**1,875**	**(6)**	**1,157**	**75**	**117**	**5,910**
Net profit for the period					1,296			1,296
Revaluation of investments							(51)	(51)
Currency translation reserve				(9)				(9)
Transfer			1,157		(1,157)			
Dividend			(76)					(76)
Increase of capital	146	14,674						14,820
Treasury shares								
Available for sale								
Equity component of subordinated liabilities			(131)					(131)
Other changes in equity		(2)	13			(7)		4
Balance at 31 December 2007	**643**	**16,867**	**2,838**	**(15)**	**1,296**	**68**	**66**	**21,763**
Net profit for the period					(18,486)			(18,486)
Revaluation of investments							3	3
Currency translation reserve				(3)				(3)
Other non-owner changes in equity								
Transfer	275	(275)	1,296		(1,296)			
Dividend			(395)					(395)
Increase of capital	97							97
Treasury shares								
Available for sale								
Other changes in equity			(22)			(13)		(35)
Balance at 31 December 2008	**1,015**	**16,592**	**3,717**	**(18)**	**(18,486)**	**55**	**69**	**2,944**

Legal and statutory reserves include non-distributable profit of participations, relating to the negative revaluation of financial instruments through the income statement that are not traded on an active market, in accordance with Part 9, Book 2 of the Dutch Civil Code (BW 2, article 390(1)).
Currency translation reserve and unrealised gains and losses are also non-distributable reserves.

For an overview of the relation between equity and solvency requirements we refer to note 6 of the consolidated Financial Statements 2008 of Fortis bank Nederland (Holding) N.V.

Explanatory notes to the balance sheet and income statement

General

The company financial statements are part of the 2008 Financial Statements of Fortis Bank Nederland (Holding) N.V. The information provided in the notes to the consolidated balance sheet and income statement also applies to the company financial statements, unless stated otherwise below.

In the separate profit and loss account of Fortis Bank Nederland (Holding) N.V., use has been made of the exemption referred to in Section 402 of Book 2 of the Dutch Civil Code.

Principles for the measurement of assets and liabilities and the determination of the result

In determining the principles for the recognition and measurement of assets and liabilities and determination of the result for its separate financial statements, Fortis Bank Nederland (Holding) N.V. makes use of the option provided in section 2:362 (8) of the Dutch Civil Code. This means that the principles for the recognition and measurement of assets and liabilities and determination of the result (hereinafter referred to as principles for recognition and measurement) of the separate financial statements of Fortis Bank Nederland (Holding) N.V. are the same as those applied for the consolidated EU-IFRS financial statements. Participating interests over which significant influence is exercised are stated on the basis of the equity method. These consolidated EU-IFRS financial statements are prepared according to the standards laid down by the International Accounting Standards Board and adopted by the European Union (hereinafter referred to as EU-IFRS) and with part 9 of book 2 of the Dutch Civil Code.

The share in the result of participating interests consists of the share of Fortis Bank Nederland (Holding) N.V. in the result of these participating interests. Results on transactions, where the transfer of assets and liabilities occurs between Fortis Bank Nederland (Holding) N.V. and its participating interests and between participating interests themselves, are done at arm's length basis.

Assets held for trading

The following table provides a specification of the assets held for trading as at 31 December.

	2008	*2007*	*2006*
Debt securities:			
- Corporate debt securities	30	28	24
Total trading securities	**30**	**28**	**24**
Derivative financial instruments:			
- Over the counter (OTC)	44	516	685
Total derivative financial instruments	**44**	**516**	**685**
Total assets held for trading	**74**	**544**	**709**
Fair value of trading securities by observable market data	**30**	**28**	**24**

Due from banks

'Due from banks' consisted of the following as at 31 December.

	2008	2007	2006
31 December			
Interest-bearing deposits	3,607	4,604	3,761
Loans and advances	723	1,123	473
Securities lending transactions		227	227
Other	217	231	417
Total	**4,547**	**6,185**	**4,878**

Associates

RFS Holdings B.V. is the acquirer of ABN AMRO shares in which Fortis Bank Nederland (Holding) N.V. had a participation of 33.8% (see note 17).

Participating interests in group companies

Movements in participating interests in group companies are shown below.

	2008	2007	2006
Balance at 1 January	7,465	6,445	5,385
Share of profit from participating interests	(922)	1,233	1,135
Foreign exchange differences	(14)	(12)	(2)
Other changes	132	(201)	(73)
Total	**6,661**	**7,465**	**6,445**

Debt certificates

Debt certificates include bond and other issued negotiable debt certificates, such as certificates of deposit and accepted bills issued by the company, which are not subordinated, with either fixed or floating interest rates.

	2008	2007	2006
31 December			
Savings certificates	97	102	102
Commercial paper	3,637	4,632	4,453
Other		227	227
Total debt certificates	**3,734**	**4,961**	**4,782**

Subordinated liabilities

The bonds and loans referred to under this item are subordinated to all current and future liabilities. Early redemption in full or in part requires the permission of the Dutch Central Bank. See also note 25.

	2008	2007	2006
31 December			
Liability component of subordinated convertible securities	2,070	2,106	
Other hybrid and Tier 1 liabilities	9	98	
Other subordinated liabilities	3,833	8,252	1,543
Total subordinated liabilities	**5,912**	**10,455**	**1,543**

Issued capital and reserves

Issued capital

Authorised issued capital amounts to EUR 1,176,856,500 distributed over 2,203,711 ordinary shares and 150,002 non-cumulative preference shares, each share having a nominal value of EUR 500.

Issued and paid-up capital amounts to EUR 940.5 million ordinary shares and EUR 75.0 million preference shares distributed over 1,880,944 ordinary shares, 150,002 non-cumulative preference shares, each with a nominal value of EUR 500. The non-cumulative preference shares comprise 150,000 class A shares (5.85%) and 2 class-B shares (without a predefined payout ratio). The share premium on the preference class A and B shares are registered on separated accounts and are allocated to the class of shares. During the book year 195,161 Class C non cumulative preference shares have been converted into 195,161 ordinary shares (EUR 97.6 million) and 550,000 new ordinary shares have been issued (EUR 275.0 million), to the account of the (general) Issued Capital Premium Reserve.

Assets and liabilities of group companies

The following assets and liabilities are with group companies:

	2008	2007	2006
31 December			
Cash and cash equivalents	2,385	860	165
Assets held for trading	30	33	21
Due from banks	723	1,123	473
Due from customers	1	2	653
Accrued interest and other assets	151	66	57
Liabilities held for trading	30	5	16
Due to banks	742	2	49
Due to customers			1
Debt certificates	2		8
Subordinated liabilities	473	473	473
Accrued interest and other liabilities	72	56	50

Rental and lease commitments

There were no long-term rental or lease commitments at year-end 2008

Issued guarantees

In addition to the amounts shown on the balance sheet, there are unquantified guarantees under the collective guarantee scheme by virtue of Article 84 of the Credit System Supervision Act of 1992.

For a few group companies established in the Netherlands, general guarantees have been issued within the scope of Article 403, Book 2 of the Dutch Civil Code (see the note regarding the list of the major subsidiaries and associated companies of Fortis Bank Nederland (Holding) N.V. Subsidiaries for which a general guarantee has been issued are marked with a footnote).

Remuneration of Management Board

Reference is made to note 9 of the consolidated financial statements.

Amsterdam, 23 March 2009

Other information

Management Board

J.C.M. van Rutte (Chairman)
J.R. Dijst
J. G.H. Helthuis
F. Demmenie
F.M.R. van der Horst

Non statutory members:
H.P.F.E. Bos
F.J. van Lanschot

Supervisory Board

J.H.M. Lindenbergh (Chairman)
Mrs. I. Brakman
M. Enthoven
E.A.J. van de Merwe
Mrs. A.P.M. van der Veer-Vergeer
Mrs. H.M. Vletter-Van Dort

Major subsidiaries, branches and associated companies

Major consolidated companies

Fortis Bank (Nederland) N.V., Rotterdam [1]	100
ALFAM Holding N.V., Bunnik [1]	100
Beluga [2]	0
Dolphin [2]	0
Fortis ASR Bank N.V., Utrecht [1]	100
B.V. Financieringsmaatschappij N.O.B., Amsterdam [1]	100
Direktbank N.V., Amsterdam [1]	100
Delphinus 2000-1[2], 2001-1[2], 2001-2[2], 2002-1[2], 2003-1[2], 2003-2[2], 2004-1[2], 2004-2 [2], 2006-1[2]	0
DMBS 97-II[2], 98-I[2], 99-III[2], 2001-I[2]	0
European Multilateral Clearing Facility N.V., Amsterdam [1]	100
Fortis Bank Global Clearing N.V., Amsterdam [1]	100
Fortis Commercial Finance Holding N.V., 's Hertogenbosch [1]	100
Fortis Groenbank B.V., Amsterdam [1]	100
Fortis GSLA B.V., Amsterdam	100
Fortis Hypotheek Bank N.V., Rotterdam [1]	100
Fortis Private Equity Holding Nederland B.V., Utrecht	100
Fortis Intertrust (Nederland) B.V., Amsterdam	75
Fortis Intertrust Group Holding SA, Geneva, Switzerland	75
Goldfish [2]	0
NeSBIC Groep B.V., Utrecht	100
Solid 2005-I [2]	0
International Card Services B.V. Amsterdam [1]	100
Fortis Bank (Cayman) Ltd., George Town, Cayman Islands	100
Fortis Bank (Curaçao) N.V., Willemstad, Netherlands Antilles	75
Fortis Bank (N.A.) N.V., Willemstad, Netherlands Antilles	75
Fortis (Hong Kong) Ltd., Hong Kong	100
Fortis Capital Company Limited, St. Helier, Jersey	5
Fortis Clearing Sydney Pty., Sydney, Australia	100
Fortis Clearing (Options) Hong Kong Limited, Hong Kong	100
Fortis Shoken Kabushiki Kaisha, Tokyo, Japan	100
Fortis Fund Services (Ireland) Limited, Dublin, Ireland	100
Fortis Holding (Curaçao) N.V., Willemstad, Netherlands Antilles	75
Fortis Prime Fund Solutions Administration Services (Ireland) Limited, Dublin, Ireland	100
Fortis Holdings (UK) Ltd., London, United Kingdom	100
Fortis (Hong Kong) Ltd., Hong Kong	100
Fortis Information Bank Holdings (Ireland) Limited, Dublin, Ireland	100
Fortis Prime Fund Solutions Bank (Ireland) Limited, Dublin, Ireland	100
Intertrust Group N.V., Willemstad, Netherlands Antilles	75
FBN Holding International AG, Zug, Switzerland	100
Fortis Bank (C.I) Limited, St Peter Port, Guernsey, Channel Islands	100
Fortis (Isle of Man) Limited, Douglas, Isle of Man	100
Fortis Private Banking Singapore Ltd., Singapore	100
"Fortis de Hondsrug" B.V., Amsterdam	75
IFS International Financial Solutions AG, Zug, Switzerland	75
Maas Capital Investments B.V., Rotterdam	100

Branches of Fortis Bank (Nederland) N.V.:
Frankfurt, Germany
Oslo, Norway

Branches of Fortis Bank Global Clearing N.V.:
Frankfurt, Germany
London, United Kingdom

Major non-consolidated companies:

Holland Venture B.V., Amsterdam 33

The full list of participating interests as referred to in Article 414, Book 2 of the Dutch Civil Code has been filed with the Trade Register.

1) A statement of liability within the meaning of Article 403, subsection 1, paragraph f, Book 2 of the Dutch Civil Code has been issued for these companies.

2) In accordance with SIC 12 and IAS 27 these securitisation transactions are consolidated in the financial figures of Fortis Bank Nederland (Holding) N.V.

Post balance sheet date events

On 1 January 2009 Fortis Bank Nederland (Holding) N.V. sold a 22% share of European Multilateral Clearing Facility (EMCF) to Nasdaqom to sustain further growth. In return EMCF will become the incumbent central counterparty for the Nordics market.

Provisions of the Articles of Association concerning profit appropriation

Profit appropriation will occur in accordance with Article 19 of the Articles of Association of Fortis Bank Nederland (Holding) N.V., which reads as follows:

Article 19

19.1 The Company may only make distributions to shareholders and other parties entitled to the profit available for distribution up to no more than the amount of the distributable reserves. Losses will not be charged to the share premium account attached to the A preference shares, the share premium account attached to the B preference shares, or the A dividend reserve.

19.2 Any distribution of profit is made after adoption of the financial statements showing that such distribution is permitted.

19.3 The profit realised in a financial year will first be used to form such reserves as the Management Board will determine subject to approval from the Supervisory Board.

19.4 a From the profit remaining after applying the stipulation of the previous paragraph, if possible and at the option of the Management Board subject to approval from the Supervisory Board, a dividend will be distributed on the A preference shares or a dividend will be added to the A dividend reserve equal to a dividend percentage calculated on the time weighted averages of the nominal amount of the A preference shares, the balance of the A dividend reserve and the balance of the share premium account attached to the A preference shares during the financial year to which the profit relates; this dividend percentage is immediately set at five and eighty-five hundredths percent (5.85%). If and to the extent that as a result of the reservation referred to in paragraph 3 of this article, the remaining profit is insufficient to make the distributions on the A preference shares or additions to the A dividend reserve referred to in the previous sentence, the deficit will be added to the A dividend reserve at the expense of the amount to be reserved.

No further distributions or reservations of profit will be made on the A preference shares or for the A preference shares.

b The dividend percentage of the A preference shares will be adjusted as of the first of January two thousand and thirteen and every five (5) years thereafter based on the arithmetic average of the five (5) year interest rate swap denominated in Euros as published by Bloomberg on page "EUSA5 Currency HP <GO>" on the last ten (10) working days prior to the dividend review date, plus a mark-up to be determined by the Management Board subject to approval from the Supervisory Board, with a maximum of three hundred (300) basis points, depending on the market conditions prevailing at that time.

c In the event that the prices on the Bloomberg page mentioned above are not (or no longer) available or the Bloomberg page referred to above is not (or no longer) available and thus no dividend percentage can be calculated as described above, then subject to approval from the Supervisory Board, the Management Board will designate a similar page from a similar institute on which the prices mentioned are available to be used to calculate the dividend percentage mentioned above.

19.5 Then, from the profit remaining after applying the stipulations of the previous paragraphs, five and seven tenths percent (5.7%) of the time weighted averages of the nominal amount of the B preference shares and the balance of the share premium account attached to the B preference shares during the financial year to which the profit relates is distributed on the B preference shares. No further distributions of profit will be made on the B preference shares.

19.6 The profit remaining after applying the stipulations in the previous paragraphs is at the free disposal of the General Meeting with the proviso that no dividends can be distributed as long as the balance of the A dividend reserve is positive at the time of the dividend distribution.

19.7 The shares held by the Company in its share capital are not included when calculating the profit distribution, unless these shares are encumbered with a right of usufruct.

19.8 Pursuant to a proposal from the Management Board approved by the Supervisory Board and subject to Section 2:105 of the Dutch Civil Code, the General Meeting may resolve to make distributions at the expense of a reserve, with the exception of the share premium accounts attached to the ordinary shares, the A preference shares, the B preference shares, and the A dividend reserve. Subject to approval from the Supervisory Board and subject to the stipulations of Section 2:105 of the Dutch Civil Code, the Management Board may resolve to make distributions at the expense of the share premium account attached to the A preference shares and/or the A dividend reserve.

19.9 Subject to the stipulations of Section 2:105 of the Dutch Civil Code and with the approval of the Supervisory Board, the Management Board may distribute interim dividends if and in as far as the profit permits this. Interim dividends can also be distributed exclusively for one class of shares. Interim dividends can not be distributed on the ordinary shares and the B preference shares if the balance of the A dividend reserve is positive at the time of the dividend distribution in question.

19.10 Pursuant to a proposal from the Management Board approved by the Supervisory Board, the General Meeting may resolve to distribute all or part of the dividends on ordinary shares and/or B preference shares in a form other than cash.

19.11 (Interim) distributions will be made payable on a date determined by the Management Board; this date will be no later than the fifth (5th) working day following the date of the distribution resolution.

19.12 (Interim) distributions which have not been claimed within five years after they became payable will revert to the Company.

19.13 For the purpose of the stipulations of this article, a calendar year is deemed to consist of three hundred and sixty (360) calendar days.

Profit appropriation

A proposal will be submitted to the Annual General Meeting of Shareholders to add the loss to the reserves without paying a dividend to the holders of preference shares under the terms of Article 19 of the Articles of Association and without paying a dividend to the ordinary shareholders.

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

Addition to reserves	EUR (18,486) million
Dividend	EUR 0.0 million

To the Shareholders, Supervisory Board and the Management Board of Fortis Bank Nederland (Holding) N.V.

Auditor’s report

Report on the Consolidated Financial Statements

We have audited the accompanying financial statements 2008 of Fortis Bank Nederland (Holding) N.V., Amsterdam as set out on pages 9 to 176. These financial statements consist of the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at 31 December 2008, the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. The company financial statements comprise the company balance sheet as at 31 December 2008, the company profit and loss account for the year then ended and the notes.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

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

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

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Fortis Bank Nederland (Holding) N.V. as at 31 December 2008, and of its result and its cash flow for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of Fortis Bank Nederland (Holding) N.V. as at 31 December 2008 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part f of the Netherlands Civil Code, we report, to the extent of our competence, that the management board report presented as a separate document is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Amstelveen, 23 March 2009

KPMG ACCOUNTANTS N.V.
J.J.A. van Nek RA

Forward-looking statements to be treated with caution

Some of the statements contained in this Annual Report, including but not limited to the statements made in the sections entitled Message to the Shareholders, Description of activities and Report of the Executive Committee and in note 5 Risk management, refer to future expectations and other forward-looking perceptions that are based on management's current views, estimates and assumptions concerning future events. These forward-looking statements are subject to certain risks and uncertainties that may mean actual results, performance or events differ materially from those such statements express or imply, including but not limited to our expectations regarding cost and revenue synergies arising from the integration of our banking operations, e.g. branch closures and levels of restructuring costs, the impact of recent acquisitions and the levels of provisions relating to our credit and investment portfolios. Other more general factors that may impact our results include but are not limited to:

- general economic conditions, in particular economic conditions in the Netherlands;
- changes in interest rates and the performance of financial markets;
- the frequency and severity of insured loss events;
- mortality, morbidity and persistency levels and trends;
- foreign exchange rates, including Euro / US dollar exchange rate;
- changes in competition and pricing environments, including increasing competition in the Netherlands;
- changes in domestic and foreign legislation, regulations and taxes;
- regional or general changes in asset valuations;
- occurrence of significant natural or other disasters;
- inability to economically reinsure certain risks;
- adequacy of loss reserves;
- regulatory changes relating to the banking, insurance, investment and/or securities industries;
- changes in the policies of central banks and/or foreign governments;
- general competitive factors on a global, regional and/or national scale.

Glossary and abbreviations

Amortised cost
The amount at which a financial asset or liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation/accretion of any premium/discount, and minus any write-down for impairment.

Asset backed security
A bond or a note backed by loan paper (not being mortgages) or accounts receivable.

Associate
A company in which Fortis Bank Nederland (Holding) N.V. has significant influence but which it doesn't control.

Basis point (bp)
One hundredth of a percentage point (0.01%).

Cash flow hedge
A hedge to mitigate the exposure to variability in cash flows of a recognised asset or liability, or forecasted transaction, which is attributable to changes in variable rates or prices.

Clean fair value
The fair value excluding the unrealised portion of the interest accruals.

Clearing
Administrative settlement of securities, futures and options transactions through a clearing organisation and the financial institutions associated with it (clearing members).

Credit spread
The yield differential between government bonds and corporate bonds or credits.

Custody
An agreement, usually between an investor and a bank (or possibly an agent or a trust company), whereby the investor deposits for safekeeping securities, gold or other valuables with the bank, which in turn takes the valuables into safekeeping for a fee.

Derivative
A financial instrument such as a swap, a forward, a future contract and an option (both written and purchased). This financial instrument has a value that changes in response to changes in various underlying variables. It requires little or no net initial investment, and is settled at a future date.

Discounted cash flow method
An approach to valuation, whereby projected future cash flows are discounted at an interest rate that reflects the time value of money and a risk premium that reflects the extra return investors demand for the risk that the cash flow might not materialise after all.

Embedded derivative
A derivative instrument that is embedded in another contract - the host contract. The host contract might be a debt or equity instrument, a lease, an insurance contract or a sale or purchase contract.

Employee benefits
All forms of considerations given by an entity in exchange for service rendered by employees, in addition to their pay or salary.

Factoring
A form of corporate financing in which a company transfers outstanding debts to a factoring company that, for a fee, assumes responsibility for the debtor records, risk coverage and financing.

Fair value
The amount for which an asset (liability) can be bought (incurred) or sold (settled), between knowledgeable, willing parties in an arm's length transaction.

Fair value hedge
A hedge of an exposure to changes in the fair value of a recognised asset or liability (or a portion thereof) or a firm commitment. The exposure is attributable to a particular risk and will affect reported net income.

Finance lease
A lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.

Goodwill
This 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 Fortis Bank Nederland (Holding) N.V. interest in the fair value of assets acquired and liabilities and contingent liabilities assumed.

Hedge accounting
Hedge accounting recognises the offsetting effects on profit or loss of changes in the fair values of the hedging instrument and the hedged item.

IFRS
International Financial Reporting Standards, used as a standard for all listed companies within the European Union as of 1 January 2005 to ensure transparent and comparable accounting and disclosure.

Impairment
A decline in value whereby the carrying amount of the asset exceeds the recoverable amount. In such a case, the carrying amount will be reduced to its recoverable amount through the income statement.

Intangible asset
An identifiable non-monetary asset which is recognised at cost if and only if it will generate future economic benefits and if the cost of the asset can be measured reliably.

Investment property
Property held by Fortis Bank Nederland (Holding) N.V. to earn rental income or for capital appreciation.

Joint venture
A contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control.

Macro hedge
A hedge used to eliminate the risk of a portfolio of assets.

Mortgage backed security
An investment instrument that represents ownership of an undivided interest in a group of mortgages. Principal and interest from the individual mortgages are used to pay investors' interest on the securities as well as to repay the principal investment.

Net-investment hedge
A hedge used to reduce the financial risks of a reporting entity's share in the net assets of a foreign entity by entering into transactions that give an offsetting risk profile.

Notional amount
Amount of currency units, number of shares, a number of units of weight or volume or other units specified in a derivative contract.

Option
A privilege sold by one party to another that offers the buyer the right, but not the obligation, to buy (call) or sell (put) a security at an agreed-upon price during a certain period of time or on a specific date.

Private equity
Equity securities of companies that are not listed on a public exchange. Investors looking to sell their stake in a private company have to find a buyer in the absence of a marketplace.

Provision
Provisions are liabilities involving uncertainties in the amount or timing of payments. Provisions are recognised 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.

Reverse repurchase agreement
The purchase of securities with an agreement to resell them at a higher price at a specific future date.

Securities lending transaction
A loan of a security from one counterparty to another, who must eventually return the same security as repayment. The loan is often collateralised. Securities lending allows an entity in possession of a particular security to earn enhanced returns.

Subordinated bond (loan)
A loan (or security) that ranks below other loans (or securities) with regard to claims on assets or earnings.

Subsidiary
Any company, of which Fortis Bank Nederland (Holding) N.V., either directly or indirectly, has the power to govern the financial and operating policies so as to obtain the benefits from its activities ('control').

Suretyship
A bond issued by an entity on behalf of a second party, guaranteeing that the second party will fulfil an obligation or series of obligations to a third party. In the event that the obligations are not met, the third party will recover its losses via the bond.

Tier 1 ratio
Core capital of a bank expressed as a percentage of the risk-weighted balance sheet total.

Trade date
The date when Fortis Bank Nederland (Holding) N.V. becomes a party to the contractual provisions of a financial asset.

VaR
Abbreviation of value at risk. A technique which uses the statistical analysis of historical market trends and volatilities to estimate the likelihood that a given portfolio's losses will exceed a certain amount.

Venture capital
In general, it refers to financing provided by investors to start-up firms and small businesses with perceived, long-term growth potential.

Abbreviations

AFS	Available for sale
ALM	Asset and liability management
CDS	Credit default swap
Euribor	Euro inter bank offered rate
HTM	Held to maturity
IBNR	Incurred but not reported
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
OTC	Over the counter
SPE	Special purpose entity

Together with the 2008 Fortis Bank Nederland (Holding) N.V. Annual Review these Financial Statements constitute the Annual Report of Fortis Bank Nederland (Holding) N.V. The report of the Management Board is contained in the 2008 Annual Review.

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