Annual Report 2007
Fortis Finance N.V.

Fortis Finance N.V.
Archimedeslaan 6
3584 BA Utrecht (the Netherlands)
Tel. +31 (0)30 226 39 91
Fax +31 (0)30 226 98 26

Contents

Report of the Board of Directors on the 2007 financial year

General

Fortis Finance N.V. operates as the window to the financial markets for Fortis entities only.

The shares of Fortis Finance N.V. are indirectly held by Fortis SA/NV and Fortis N.V. via Fortis Utrecht N.V. and Fortis Insurance N.V. The latter is the direct and sole shareholder of Fortis Finance N.V. Fortis SA/NV in Belgium and Fortis N.V. in The Netherlands are jointly the holding companies of Fortis and have provided joint and several guarantees for financial transactions of Fortis Finance N.V.

International Financial Reporting Standards

The Fortis Finance N.V. Financial Statements, including the 2006 and 2005 comparative figures, are prepared in accordance with IFRSs – including Internatonal Accounting Standards ('IAS') and Interpretations – at 31 December 2007 and as adopted by the European Union. For IAS 39, Financial Instruments: Recognition and Measurement, the execution 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. Accounting policies did not change in the course of 2007.

Results and appropriation of profit

In 2007 Fortis Finance N.V. realised a net loss after tax of EUR 9,708,000 (2006: profit EUR 62,048,000; 2005: profit EUR 7,334,000).

The result 2006 included a pre-tax EUR 85 million penalty interest received from Fortis Hypotheek Bank N.V. because of early redemption of granted group company loans for an amount of EUR 2.2 billion. The redeemed loans were recognized at amortised cost and consequently the penalty interest resulted in an exceptional gain. Fortis Finance used the proceeds of these early redemptions to grant new group company loans to Fortis Insurance N.V. and Fortis Utrecht N.V., with similar conditions as the redeemed loans, thus carrying EUR 85 million premium. These premiums are capitalized as an asset and are amortised using the effective interest rate method in the remaining period to maturity (2013). The pre-tax interest loss related to the amortisation of this premium amounted to EUR 19 million in 2007. Excluding this effect the net result of Fortis Finance N.V. would have been positive.

The annual report 2006 has been approved by Fortis Insurance N.V. on 31 January 2008. Fortis Finance N.V. has paid a dividend of EUR 120,000 per share or EUR 30 million in total on the results realised up to 2006 in March 2008. Total equity, which increased to temporarily exceptional levels at year end 2006 because of the net impact of the afore mentioned penalty interest received, is expected to be more than sufficient to absorb the net impact of the afore mentioned premium amortisation up to 2013.

The Board of Directors proposes to the General meeting of shareholders to withdraw the 2007 net loss from the Retained Earnings.

Risk Management

Exposure to credit, interest rate and currency risks arises in the normal course of Fortis Finance N.V. business. The board decided to use derivative financial instruments to economically hedge exposure to fluctuations in foreign exchange rates and interest rates, and to contain risks on a deal by deal basis. Interest rate wise and currency wise the funding, the on-lending and related swaps form closed positions.

The risk management for Fortis Finance N.V. is integrated in the overall risk management of Fortis. The Board of Fortis Finance N.V. delegated the risk monitoring of Fortis Finance N.V. to the Insurance Risk Committee of Fortis. This committee with the support of amongst others the Asset and Liability Committee performed the risk management of the insurance subsidiaries including the holding entities. The Insurance Risk Committee regularly follows up on the actual risk positions and reports whether risks are indeed contained on a deal by deal basis. In 2008 the risk monitoring is delegated to an ALM function at group level, with direct reporting lines to Fortis' Chief Financinal Officer. For further information we refer to the Fortis Annual Review and Financial Statements 2007.

Prospects

The financial results of Fortis Finance N.V. depend largely on the total volume of funding provided to Fortis entities. The current loan book predominantly represents loans to Fortis' holding companies. The funding needs of these holdings are expected to remain relatively stable, and Fortis Finance N.V. is thus believed to realise a stable income stream. However, the results of the next five years will be negatively impacted by the afore mentioned premium amortisation. Total expected loss net of tax in the next five years related to this amortisation amounts to EUR 43 million.

Employees

Fortis Finance N.V. has no employees of its own. Its activities are performed by employees of Fortis group companies.

Utrecht (NL), 17 April 2008

The Board of Directors:
P. Depovere
J.H. Brugman
J. Dessain
A.H.W.M. van der Plas

Financial statements 2007

All amounts reported in the tables of these financial statements are denominated in thousands of euros, unless stated otherwise. Because figures have been rounded off, small differences can occur in comparison with previously reported figures.

Balance sheet

(before appropriation of profit)

In thousands of euro	*Note*	31 December 2007	31 December 2006	31 December 2005
Assets				
Due from group companies	*1*	7,617,191	6,210,705	7,881,707
Deferred tax assets	*2*	0	0	279
Derivatives and other receivables	*3*	420,779	411,044	549,377
Cash and cash equivalents	*4*	171,622	257,952	1,321,039
Total assets		**8,209,592**	**6,879,701**	**9,752,402**
Equity				
Issued capital		125	125	125
Retained earnings		30,164	30,164	22,830
Unappropriated profit 2006		62,048	0	0
Result for the year		(9,708)	62,048	7,334
Total equity	***5***	**82,629**	**92,337**	**30,289**
Liabilities				
Interest-bearing loans and borrowings	*6*	7,476,138	6,021,205	7,056,334
Interest-bearing subordinated loans	*6*	97,563	183,781	914,201
Bank overdrafts	*4*	77,715	123,358	1,282,410
Tax payable	*7*	2,789	1,549	1,628
Derivatives, deposits and other payables	*8*	458,437	438,322	467,540
Deferred tax liabilities	*2*	14,321	19,149	0
Total liabilities		**8,126,963**	**6,787,364**	**9,722,113**
Total equity and liabilities		**8,209,592**	**6,879,701**	**9,752,402**

Income statement

In thousands of euro	*Note*	2007	2006	2005
Income				
Financial income	*10*	699,835	945,812	975,571
Financial expenses	10	(711,688)	(860,761)	(963,648)
Net financial margin		**(11,853)**	**85,051**	**11,923**
Operating expenses	9	(708)	(690)	(506)
Rating expenses		(379)	(366)	(379)
EMTN-program expenses		(90)	(327)	(263)
Operating result before tax		**(13,030)**	**83,668**	**10,775**
Income tax expense	11	3,322	(21,620)	(3,441)
Result for the year		**(9,708)**	**62,048**	**7,334**

Statement of changes in net equity

For the year ended 31 December	2007	2006	2005
In thousands of euro			
Balance beginning of year	92,337	30,289	22,955
Profit or loss for the period	(9,708)	62,048	7,334
Balance end of year	**82,629**	**92,337**	**30,289**

Statement of cash flows

For the year ended 31 December	2007	2006	2005
In thousands of euro			
Cash and cash equivalents – Balance at 1 January	257,952	1,321,039	3,843,979
Bank Overdrafts – Balance at 1 January	(123,358)	(1,282,410)	(3,289,294)
Total cash and cash equivalents/ bank overdrafts at 1 January	**134,594**	**38,629**	**554,685**
Cash flows from operating activities			
Net result	(9,708)	62,048	7,334
Net changes in operating assets and liabilities	(28,886)	57,444	(10,702)
Net cash from operating activities	**(38,594)**	**119,492**	**(3,368)**
Cash flows from Investing activities			
Payments to customers or cash receipt from customers (deposits, long term loans)	**(1,406,486)**	**1,671,002**	**3,915,611**
Cash flows from financing activities			
Proceeds from derivatives	(304)	85,870	19,069
Cash receipt or repayment of borrowings (subordinated, debt certificates, long term liabilities, straight loans)	1,368,715	(1,765,549)	(4,343,328)
Payment of derivatives	35,982	(14,850)	(104,040)
Net cash from financing activities	**1,404,393**	**(1,694,529)**	**(4,428,299)**
Cash and cash equivalents– Balance at 31 December	171,622	257,952	1,321,039
Bank overdrafts – Balance at 31 December	(77,715)	(123,358)	(1,282,410)
Total cash and cash equivalents/ bank overdrafts at 31 December	**93,907**	**134,594**	**38,629**

General notes

Accounting policies

General information

Fortis Finance N.V. is a company domiciled in The Netherlands.
The address is Archimedeslaan 6, 3584 BA Utrecht.

The company is registered with the chamber of Commerce in Utrecht under number 30055940.
Fortis Insurance N.V. holds all the shares of Fortis Finance N.V.

The main activity of Fortis Finance N.V. is to provide funding to the Fortis group and operating entities. Funds borrowed in the market are lend-on to Fortis companies. Fortis Finance N.V. has very low exposure to interest and foreign currency risks; the general policy is to close all positions on a deal by deal basis.

Fortis Finance N.V. does not employ any personnel; all activities are performed by employees of other Fortis entities.

The financial statements were authorised for issue by the Board of Directors on 17 April 2008.

a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and its interpretations as adopted by the European Community.

b) Basis of preparation

The financial statements are presented in euro, rounded to the nearest thousand. They are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, and certain interest-bearing loans and borrowings.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Fortis Finance N.V. is the financing vehicle of the Fortis group and the entity that does the cash management of the Fortis group entities. In principle all funding transactions are lend-on to other Fortis entities. Fortis Finance N.V. structures the deals in such way that only limited interest rate or foreign currency risks remain on the books of Fortis Finance N.V. In certain deals derivatives are used to eliminate the interest or foreign currency risk.

Fortis Finance N.V. does not apply hedge accounting. To limit the volatility in income and equity, Fortis Finance N.V. may apply the fair value option, for deals in which derivatives are involved. This results in a situation that the funding, the on-lending and the derivative are fair valued through the income statement.

c) Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to euro at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to euro at foreign exchange rates ruling at the dates the fair value was determined.

d) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the company's contractual rights to the cash flows from the financial assets expire or if the company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the company commits itself to purchase or sell the asset. Financial liabilities are derecognised if the company's obligations specified in the contract expire or are discharged or cancelled.

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

Accounting for finance income and expense is discussed in note f (Financial income and expenses).

Investments at fair value through profit or loss

An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the company manages such investments and makes purchase and sale decisions based on their fair value. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

(ii) Derivative financial instruments

The company holds derivative financial instruments to hedge its foreign currency, credit risk, equity risk and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognised immediately in profit or loss.

e) Impairment

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on a individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in profit or loss.

f) Financial income and expenses

Finance income comprises interest income on funds invested, dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, foreign currency gains, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, dividends on preference shares classified as liabilities, foreign currency losses, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method.

g) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

h) Fair Value Calculations

A number of the company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Derivatives

The fair value of interest rate swaps is the estimated amount that Fortis Finance N.V. would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The estimate is based on the expected cash flows and the swap interest curve applicable at the moment of valuation. The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

Non-derivative financial instruments

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Notes to the financial statements

1. Due from group companies

In thousands of euro	2007	2006	2005
Due from group companies at amortised cost	4,477,866	3,964,174	5,639,071
Due from group companies held at fair value	2,175,585	2,052,063	2,242,636
Short time deposits with group companies	963,740	194,468	0
Total	**7,617,191**	**6,210,705**	**7,881,707**

The amortised cost of the loans held at fair value is EUR 2,170 million at the end of 2007 (2006: EUR 2,030 million; 2005: EUR 2,190 million).

2. Deferred tax assets and liabilities

The Deferred taxes are attributable to the revaluation of assets and liabilities at fair value.
Also for tax purposes the penalty interest received for the early redemption of loans was deferred and resulted in a deferred tax liability. For tax purposes the assets and liabilities, including derivatives are valued at amortised cost. This leads to the follow assets and liabilities.

In thousands of euro	2007	2006	2005
Deferred tax asset on revaluation of liabilities	33,090	38,545	85,140
Deferred tax liability on revaluation of assets	(47,411)	(57,694)	(84,861)
Net tax asset/ liability	**(14,321)**	**(19,149)**	**279**

3. Derivatives and other receivables

In thousands of euro	2007	2006	2005
Accrued interest	287,915	275,201	319,173
Other receivables and pre-payments	2,290	4,965	13,456
Fair value derivatives	130,574	130,878	216,748
Total	**420,779**	**411,044**	**549,377**

4. Cash and cash equivalents/ bank overdrafts

In thousands of euro	2007	2006	2005
Bank balances	171,622	257,952	1,307
Call deposits	0	0	1,012,000
Current accounts	0	0	307,732
Cash and cash equivalents	**171,622**	**257,952**	**1,321,039**
Bank overdrafts	**(77,715)**	**(123,358)**	**(1,282,410)**
Cash and cash equivalents/ bank overdrafts in the statement of cash flows	**93,907**	**134,594**	**38,629**

Bank balances and overdrafts are held at Fortis Bank N.V. and Fortis Bank Nederland N.V., both Fortis group entities.

5. Capital and reserves

The movements in capital and reserves for the years ended 2005, 2006 and 2007 are as follows:

In thousands of euro	*Share capital*	*Retained earnings*	*Unappropriated profit*	*Result for the year*	*Total*
Balance at 1 January 2005	125	18,523	0	4,307	22,955
Allocation of profit	0	4,307	0	(4,307)	0
Total recognised income and expense	0	0	0	7,334	7,334
Balance at 31 December 2005	**125**	**22,830**	**0**	**7,334**	**30,289**
Allocation of profit	0	7,334	0	(7,334)	0
Total recognised income and expense	0	0	0	62,048	62,048
Balance at 31 December 2006	**125**	**30,164**	**0**	**62,048**	**92,337**
Allocation of profit	0	0	62,048	(62,048)	0
Total recognised income and expense	0	0	0	(9,708)	(9,708)
Balance at 31 December 2007	**125**	**30,164**	**62,048**	**(9,708)**	**82,629**

At 31 December 2007, the authorised share capital comprised 1,000 ordinary shares (2006: 1,000; 2005: 1,000), par value of EUR 500. At 31 December 2007, 250 shares were issued and fully paid up. During 2005, 2006 and 2007 no new shares were issued nor were own shares bought back by the company.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares are held by Fortis Insurance N.V.

6. Interest-bearing loans and borrowings

The loans and borrowings can be analysed as follows:

In thousands of euro	2007	2006	2005
Other borrowings due to customers – drawings under EMTN-program	6,275,546	5,714,692	7,024,428
Other borrowings due to customers – Commercial Paper program	1,123,893	292,110	0
Other borrowings due to customers – group company's	76,699	9,403	9,962
Private loans	0	5.000	21,944
Total loans and borrowings	**7,476,138**	**6,021,205**	**7,056,334**
Subordinated loans – other	97,563	183,781	898,319
Subordinated loans from group company's	0	0	15,882
Total subordinated loans	**97,563**	**183,781**	**914,201**
Total interest bearing loans and borrowing	**7,573,701**	**6,204,986**	**7,970,535**

The split of total loans and borrowings by measurement principle is as follows:

Loans and borrowings at fair value	2,390,701	2,116,634	2,381,388
Loans and borrowings at amortised cost	5,183,000	4,088,352	5,589,147
Total loans and borrowings	**7,573,701**	**6,204,986**	**7,970,535**

The amortised cost of the loans and borrowings at fair value amounted to EUR 2,426 million at 31 December 2007 (31 December 2006: EUR 2,105 million; 31 December 2005: EUR 2,261 million) The average interest paid on the loans and borrowings was 4.33% in 2007 (2006: 4.77%; 2005: 4.91%). The maturity schedule of the loans and borrowings can be found in note 12.

7 Current tax assets and liabilities

The current tax liabilities of EUR 2,789 (2006: EUR 1,549; 2005: EUR 1,628) represents the amount of income taxes payable in respect of current and prior periods.

8. Derivatives and other payables

In thousands of euro	2007	2006	2005
Accrued interest	285,361	297,263	316,901
Other payables and accrued expenses	2,531	6,496	1,496
Fair value derivatives	170,545	134,563	149,143
Total	**458,437**	**438,322**	**467,540**

9. Operating expenses

In thousands of euro	2007	2006	2005
Accounting office fees charged by group companies	100	100	100
Bank costs	20	15	6
Audit costs	45	48	65
Maintenance treasury application	0	25	32
Back office / Front office fees charged by group companies	511	444	258
Other	32	58	45
Total	**708**	**690**	**506**

10. Net financial margin

In thousands of euro	2007	2006	2005
Interest income loans	276,642	389,003	373,730
Interest income derivatives	229,789	219,305	224,277
Interest income cash and cash equivalents	103,130	33,739	85,647
Interest related income	336	1,522	2,383
(Un) realised gains on derivatives	43,731	192,365	270,568
Foreign exchange gains	(8)	0	12,080
Net gain on re-measurement from borrowings at fair value	46,215	109,878	6,730
Other	0	0	156
Financial income	**699,835**	**945,812**	**975,571**
Interest expenses loans and borrowings	(285,703)	(293,327)	(329,297)
Interest expenses subordinated loans	(7,904)	(34,065)	(60,145)
Interest expenses derivatives	(225,189)	(197,965)	(203,106)
Interest expenses cash and cash equivalents	(102,495)	(32,770)	(79,840)
Interest related expenses	(1,613)	(1,628)	(1,793)
(Un) realised loss on derivatives	(80,017)	(262,535)	(185,596)
Net loss on re-measurement from loans at fair value	(8,767)	(38,471)	(103,871)
Financial expenses	**(711,688)**	**(860,761)**	**(963,648)**
Net financial margin	**(11,853)**	**85,051**	**11,923**

11. Income tax expense

Recognised in the income statement

In thousands of euro	2007	2006	2005
Current tax expense			
Current year tax expense	1,506	2,192	3,410
Adjustments for prior years	0	0	(25)
	1,506	2,192	3,385
Deferred tax expense			
Origination and reversal of temporary differences	(4,828)	22,573	(17)
Change in tax rate	0	(3,145)	73
	(4,828)	19,428	56
Total income tax expense in income statement	**(3,322)**	**21,620**	**3,441**

Reconciliation of effective tax rate

In thousands of euro	2007	2006	2005
Profit before tax(minus = loss)	(13,030)	83,668	10,775
Domestic corporate tax rate	25.5%	29.6%	31.5%
Income tax using the domestic corporate tax rate	(3,322)	24,765	3,393
Effect tax rate change on deferred tax assets and liabilities	0	(3,145)	73
Under / (over) provided in prior years	0	0	(25)
Effective corporate tax rate	**25.5%**	**25.8%**	**31.9%**
	(3,322)	**21,620**	**3,441**

12. Risk management

Exposure to credit, interest rate and currency risks arises in the normal course of Fortis Finance N.V. business. Derivative financial instruments are used to economically hedge exposure to fluctuations in foreign exchange rates and interest rates. Risks are contained on a deal by deal basis. Interest rate wise and currency wise the funding, the on-lending and related swaps form a closed position.

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. Fortis Finance N.V. does not request collateral in respect of financial assets.

Investments are allowed only in other companies of Fortis. Transactions involving derivative financial instruments are with counterparties with whom Fortis Finance N.V. has a signed netting agreement as well as sound credit ratings. Given their high credit ratings, management does not expect any counterparty to fail to meet its obligations.

Except for the inter group lending there are at the balance sheet date no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet.

Interest rate risk

In the cause of operations Fortis Finance N.V. is potentially exposed to interest rate risks. The risks are closed on a deal by deal basis. Fortis Finance N.V. uses derivatives to close the interest rate risks.

The following table indicates the earlier of re-pricing or maturity of interest income-earning financial assets and interest-bearing financial liabilities as well as the derivatives for a number of time buckets.

At 31 December 2007	*less than 6 months*	*6 up to 12 months*	*1 up to 2 years*	*2 up to 5 years*	*5 years and over*	*total*
In thousands of euro						
Cash and cash equivalents/ bank overdrafts	93,907	0	0	0	0	93,907
Financial assets	3,645,138	520,025	1,484,222	1,705,511	262,295	7,617,191
Financial liabilities	(2,629,029)	(856,443)	(1,463,331)	(1,865,962)	(758,936)	(7,573,701)
Interest GAP on balance	**1,110,016**	**(336,418)**	**20,891**	**(160,451)**	**(496.641)**	**137,397**
Derivatives	(1,020,932)	358,939	(25,000)	181,993	505,000	0
Net interest GAP	**89,084**	**22,521**	**(4,109)**	**21,542**	**8,359**	**137,397**

At 31 December 2006	*less than 6 months*	*6 up to 12 months*	*1 up to 2 years*	*2 up to 5 years*	*5 years and over*	*total*
In thousands of euro						
Cash and cash equivalents/ bank overdrafts	134,594	0	0	0	0	134,594
Financial assets	1,908,511	218,221	1,306,814	1,436,320	1,340,839	6,210,705
Financial liabilities	(732,146)	(488,769)	(1,583,403)	(1,647,711)	(1,752,957)	(6,204,986)
Interest GAP on balance	**1,310,959**	**(270,548)**	**(276,589)**	**(211,391)**	**(412,118)**	**140,313**
Derivatives	(1,235,731)	280,924	288,001	256,806	410,000	0
Net interest GAP	**75,228**	**10,376**	**11,412**	**45,415**	**(2,118)**	**140,313**

At 31 December 2005	*less than 6 months*	*6 up to 12 months*	*1 up to 2 years*	*2 up to 5 years*	*5 years and over*	*total*
In thousands of euro						
Cash and cash equivalents/ bank overdrafts	38,629	0	0	0	0	38,629
Financial assets	2,841,150	157,945	245,129	2,628,404	2,009,079	7,881,707
Financial liabilities	(1,670,594)	(197,000)	(348,256)	(3,124,106)	(2,630,579)	(7,970,535)
Interest GAP on balance	**1,209,185**	**(39,055)**	**(103,127)**	**(495,702)**	**(621,500)**	**(50,199)**
Derivatives	(1,246,331)	39,055	102,001	495,702	609,573	0
Net interest GAP	**(37,146)**	**0**	**(1,126)**	**0**	**(11,927)**	**(50,199)**

Liquidity risk

Liquidity risk is the risk that Fortis Finance N.V. has not sufficient cash to pay loans when these become due. Fortis Finance N.V. reduces this risk by maintaining credit lines and by matching the funding and the on-lending in maturity terms. The following table indicates the maturity of interest income-earning financial assets and interest-bearing financial liabilities:

Maturity schedule 2007	*less than 6 months*	*6 up to 12 months*	*1 up to 2 years*	*2 up to 5 years*	*5 years and over*	*total*
In thousands of euro						
Cash and cash equivalents/ bank overdrafts	93,907	0	0	0	0	93,907
Financial assets	2,093,431	1,016,782	1,517,613	2,199,000	790,365	7,617,191
Financial liabilities	(2,070,915)	(1,015,600)	(1,518,442)	(2,194,484)	(774,260)	(7,573,701)
Liquidity GAP	**116,423**	**1,182**	**(829)**	**4.516**	**16,105**	**137,397**

Maturity schedule 2006	*less than 6 months*	*6 up to 12 months*	*1 up to 2 years*	*2 up to 5 years*	*5 years and over*	*total*
In thousands of euro						
Cash and cash equivalents/ bank overdrafts	134,594	0	0	0	0	134,594
Financial assets	461,564	356,728	1,638,147	1,886,667	1,867,599	6,210,705
Financial liabilities	(446,125)	(382,183)	(1,687,149)	(1,835,702)	(1,853,827)	(6,204,986)
Liquidity GAP	**150,033**	**(25,455)**	**(49,002)**	**50,965**	**13,772**	**140,313**

Maturity schedule 2005	*less than 6 months*	*6 up to 12 months*	*1 up to 2 years*	*2 up to 5 years*	*5 years and over*	*total*
In thousands of euro						
Cash and cash equivalents/ bank overdrafts	38,629	0	0	0	0	38,629
Financial assets	1,315,630	183,480	476,669	3,191,032	2,714,896	7,881,707
Financial liabilities	(1,317,970)	(176,549)	(495,056)	(3,257,880)	(2,723,080)	(7,970,535)
Liquidity GAP	**36,289**	**6,931**	**(18,387)**	**(66,848)**	**(8,184)**	**(50,199)**

Currency risk

The main Currency Risk exposures as at 31 December 2007 to foreign currencies are stated in the table below. The exposures shown are net (assets – liabilities), after hedge.

Currency	*AUD*	*CZK*	*GBP*	*JPY*	*NOK*	*NZD*	*USD*
In thousands of foreign currency							
Cash and cash equivalents/ bank overdrafts	0	6	9	31	101	0	0
Financial assets	0	0	45,573	0	0	0	10,000
Accrued interest	0	0	58	0	0	0	1
Financial liabilities	(20,000)	(2,500,000)	(263,342)	(43,200,000)	(2,050,000)	(20,000)	(56,000)
Accrued interest	(53)	(23,342)	(2,110)	(19,854)	(26,982)	(60)	(694)
Currency GAP	**(20,053)**	**(2,523,336)**	**(219,812)**	**(43,219,823)**	**(2,076,881)**	**(20,060)**	**(46,693)**
Derivatives	20,053	2,523,342	219,821	43,219,745	2,076,982	20,060	46,669
Net Currency GAP	**0**	**6**	**9**	**(78)**	**101**	**0**	**(24)**

Sensitivity analysis

In managing interest rate and currency risks Fortis Finance N.V. aims to reduce the impact fluctuations on the earnings.

At 31 December 2007, it is estimated that a general increase of one percentage point in interest rates would not have a material impact on the earnings of the company.

It is estimated that a general increase of one percentage point in the value of the euro against other foreign currencies would not have a material impact on the earnings of the company.

Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table.

Derivatives

Forward exchange contracts and interest rate swaps are either market-to-market using listed market prices or by discounting the contractual forward price and deducting the current spot rate.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate for a similar instrument at the balance sheet date. Where other pricing models are used, inputs are based on market related data at the balance sheet date.

Interest-bearing loans and borrowings

Fair value is calculated based on discounted expected future principal and interest cash flows.

Interest rates used for determining fair value

The entity uses the mid-swap curve as of 31 December 2007 without an adequate constant credit spread to discount financial instruments.

13. Related parties

The purpose of Fortis Finance N.V. is to provide funding for the Fortis group and group companies. All funding transactions are lend-on to other Fortis entities. The pricing of the on-lending is based on Fortis Finance N.V. funding cost, increased with a margin to cover costs and to comply with fiscal rules and regulations.

Fortis Finance N.V. has no employees of its own; all operational and management activities are performed by employees of other Fortis entities. The activities are charged to Fortis Finance N.V. based on Service level agreements.

14. Off-balance sheet items

Credit lines

A consortium of banks granted a standby multi currency credit facility in aggregate for EUR 1,000 million to Fortis Finance N.V. At year-end 2007 no amounts were outstanding under this credit line; the credit line matures on 26 May 2009.

Taxation unities

Fortis Finance N.V. is since 2007 part of the tax unity for corporation tax Fortis Utrecht N.V. (together with Sycamore Insurance Holding N.V., Fortis Insurance N.V., Fortis Insurance International N.V., Fortis Verzekeringen Nederland N.V. and its subsidiaries and Fortis Reinsurance N.V.). Fortis Utrecht N.V. acts as the head of this group tax entity. Each of the companies is, in accordance with the standard conditions, jointly and severally liable for debts arising out of corporation tax on the part of the group tax entity as a whole.

Fortis Finance N.V. is part of the “fiscale eenheid voor de omzetbelasting Fortis N.V. c.s.” a fiscal unity for VAT (Value Added Tax) in the Netherlands.

15. Post-balance sheet date events

Dividend 2006

The annual report 2006 has been approved by Fortis Insurance N.V. on 31 January 2008. Fortis Finance N.V. paid EUR 30 million dividend on the results realised up to 2006.

Other information

Provisions of the articles of association concerning profit appropriation

Article 18, subsection 1 and 2, of the Articles of Association reads:

The company may make distributions to the shareholders and other persons entitled to the profit available for distribution only in so far as the equity capital of the company exceeds the aggregate of the paid-up and called-up part of the capital of the company and the reserves that have to be kept by law.

Profits may be distributed only after adoption of the annual accounts showing that such distribution is permissible.
The profit shown in the adopted annual accounts may be disposed of by the general meeting of shareholders as it sees fit.

Profit appropriation

The Board of Directors proposes to the General meeting of shareholders to withdraw the loss from the Retained Earnings.

Utrecht (NL), 17 April 2008.

The Board of Directors:
P. Depovere
J.H. Brugman
J. Dessain
A.H.W.M. van der Plas

Auditors' report

To: The General meeting of shareholders.

Auditors' report

Report on the financial statements

We have audited the accompanying financial statements 2007 of Fortis Finance N.V., Utrecht, as set out on pages 5 to 23 which comprise the balance sheet as at 31 December 2007, 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.

Management's responsibility

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 report of the board of directors 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

In our opinion, the financial statements give a true and fair view of the financial position of Fortis Finance N.V. as at 31 December 2007, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the report of the board of directors is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Utrecht (NL), 17 April 2008.

KPMG ACCOUNTANTS N.V.
H.P. van der Horst RA