FORTIS

Annual Review 2007

Fortis Bank Nederland (Holding) N.V.

Annual Review 2007

Table of content

Fortis Circustheater (Den Haag / Scheveningen)

Profile

Fortis Bank Nederland (Holding) N.V. is part of Fortis Bank N.V., Brussels, and of Fortis, an international financial services provider active in the fields of banking and insurance. With total assets of EUR 871 billion and shareholders' equity of EUR 33.0 billion, Fortis is one of the twenty largest financial institutions in Europe. With its sound solvency position and broad spread of risk and the extensive expertise of its 62,010 staff, Fortis combines global strength with local flexibility in providing optimum support to its customers. As at 31 December 2007, Fortis Bank Nederland (Holding) N.V. had total assets of EUR 272 billion and 10,003 employees.

Fortis is committed to develop and strengthen the leading position it already holds in its home market, the Benelux countries. To achieve its ambitions for European growth, Fortis can draw on the expertise acquired in its home market. It is also successful in a number of selected activities worldwide, putting its expertise and experience to good use in bancassurance in several countries in Europe and Asia.

Sustainable economic growth and social responsibility are the basic principles which underpin Fortis' operations. Fortis is committed to the welfare of its millions of customers and is deeply rooted in the local community.

Fortis is listed on the Amsterdam, Brussels and Luxembourg stock exchanges and has a sponsored ADR programme in the United States.

Fortis Bank Nederland (Holding) N.V. (hereinafter referred to as 'Fortis Bank Nederland') is the holding company which owns 100% of Fortis Bank (Nederland) N.V.. It was created by the merger of three banks, VSB Bank, Generale Bank Nederland and MeesPierson, all of which have long and impressive histories.

Within the context of Section 403, subsection I, paragraph f, of Book 2 of the Netherlands Civil Code, Fortis Bank Nederland has declared itself solely liable for the obligations arising from Fortis Bank (Nederland) N.V.'s legal actions.

Fortis Bank Nederland is the banking division of Fortis Bank S.A./N.V. in the Netherlands and is the holding company for a variety of businesses providing banking and financial services in the Netherlands and abroad. Its main activities are retail banking, private banking, commercial banking and merchant banking.

Fortis Bank Nederland provides financial services under the 'Fortis Bank' brand. The private banking operations in the Netherlands are conducted under the 'Fortis MeesPierson' label.

Fortis Bank Nederland also encompasses a number of Dutch and international units that continue to provide specialist financial services under their own names. These include Fortis Commercial Finance Holding N.V. (factoring services), NeSBIC Groep B.V. (venture capital), International Card Services B.V. (card services), ALFAM Holding N.V. (consumer credit), Direktbank N.V. (mortgages), Fortis Groenbank B.V. (sustainable investments), Fortis Intertrust N.V. (trust services) and Fortis Hypotheek Bank N.V. (residential mortgages).

Fortis Bank Nederland has acquired in 2007 a 33.8% investment in RFS Holdings B.V., Amsterdam. RFS Holdings B.V. has aquired 99% of ABN AMRO N.V.

The acquisition and integration of the selected ABN AMRO businesses will result in a strengthened retail distribution power and a large and predictable earnings stream with an overall lowered risk profile. During the transition process, spread out over the current and next few years, our profile will change accordingly.

Credit ratings of Fortis Bank Nederland (Holding) N.V.

	Long-term	Outlook	Short-term
Standard & Poor's [1]	AA-	Stable	A-1+
Moody's [2]	Aa2	Stable	P-1
Fitch Ratings	AA-	Stable	F 1+

[1] Standard & Poor's revised the Outlook to Negative on 30 January 2008

[2] Moody's revised the Outlook to Negative on 5 March 2008

Objectives

The cornerstones of the Fortis strategy are to grow our banking and insurance franchise profitably and to strengthen our competitive position by focusing on the customer and optimising cross-selling. We want to enhance our support functions to increase efficiency and facilitate controlled growth. We will concentrate on Europe while pursuing selective growth in Asia and North America and intend to roll out our core competences built in Benelux to new markets. Smart add-on acquisitions will further accelerate growth.

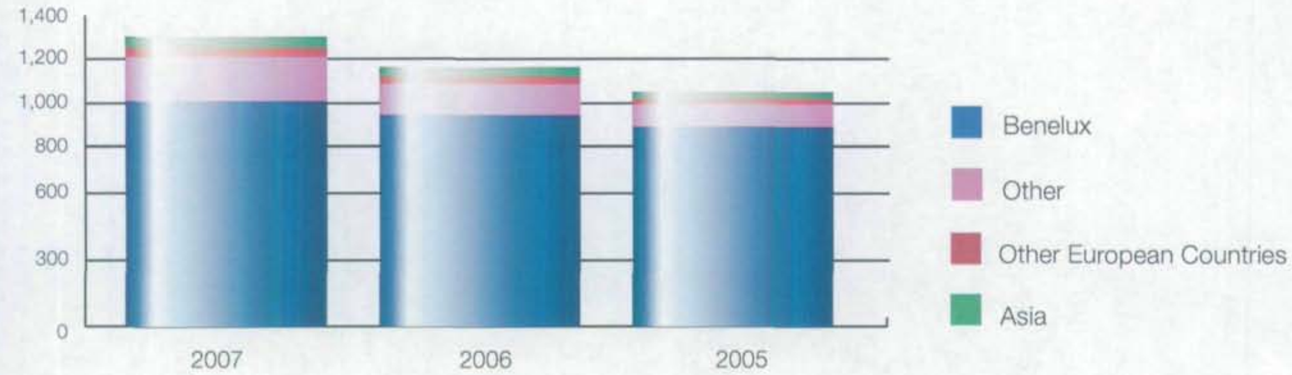
The acquisition and integration of the selected ABN AMRO businesses will allow us to accelerate our growth strategy, to stay true to our mission and to remain one of Europe's most dynamic financial services brands. To sustain our growth momentum, we will concentrate our management focus, talent and capital on selected core competences, enabling us to accelerate the rollout of our skills to new markets.

Fortis Bank Nederland is the banking division of Fortis in the Netherlands and is active as a holding company for a variety of businesses providing banking and financial services in the Netherlands and abroad. Fortis Bank Nederland will continue to contribute to this strategy, aided by the acquisition and integration of the selected ABN AMRO businesses.

Key figures

	2007	2006	2005	Change 07-06	Change 06-05
Income statement (in EUR million)					
Total income	3,626	3,473	3,153	4.4%	10.1%
Total expenses	(1,925)	(1,754)	(1,645)	9.7%	6.9%
Net profit	1,296	1,157	1,049	12.0%	10.3%
Balance sheet (in EUR million)					
Due from customers	130,971	124,038	108,775	5.6%	14.0%
Customers deposits	69,990	63,856	51,618	9.6%	23.7%
Shareholders' equity	21,763	5,910	5,613	268.2%	5.3%
Total assets	272,378	209,749	170,871	29.9%	22.8%
Assets under management	59,544	35,624	34,448	67.1%	3.4%
Financial measures					
Return on equity	9.4%	20.1%	22.0%		
Cost/income ratio	53.1%	52.5%	54.1%		
Risk-weighted commitments	75,850	66,995	63,323	13.2%	5.8%
Tier 1 ratio	30.7%	8.6%	8.5%		
Total capital ratio after profit appropriation	11.2%	10.9%	10.5%		
Employees (year-end)					
FTE's	10,003	9,949	9,459	0.5%	5.2%
Net profit per FTE (x EUR 1,000)	130	116	111	12.1%	4.5%

Geographical split of net profit



Board structure

Supervisory Board

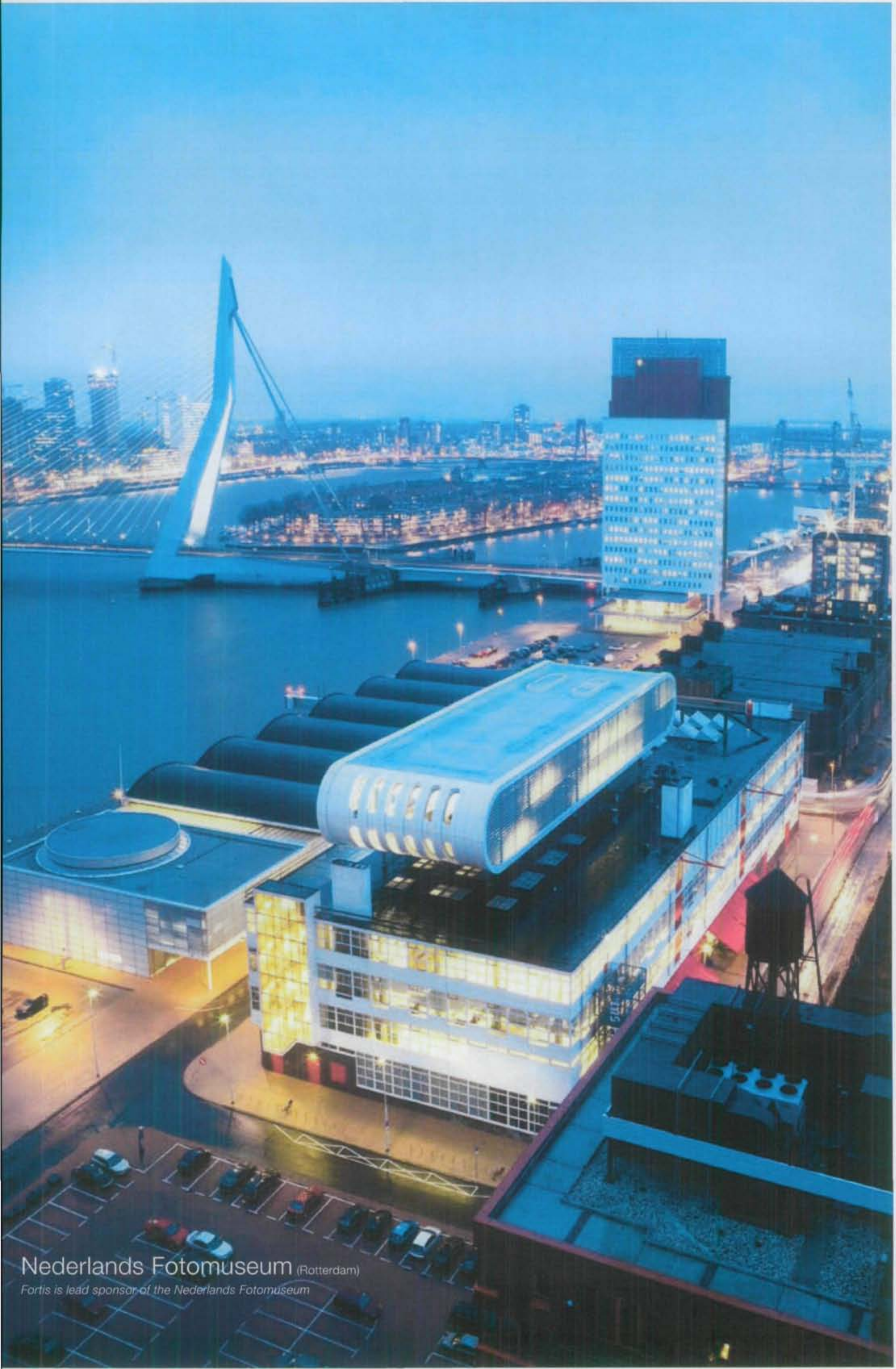
A.M. Kloosterman (Chairman)
Mrs. I. Brakman
F.R.J. Dierckx
B.J.H.S. Feilzer
Mrs. A.P.M. van der Veer - Vergeer
H.C.L. Verwilst
Mrs. H.M. Vletter - Van Dort

Executive Board

J.C.M. van Rutte (Chairman)
H.P.F.E. Bos
F.J. van Lanschot

Company Secretary

Mrs. J.G. Bertels



Nederlands Fotomuseum (Rotterdam)
Fortis is lead sponsor of the Nederlands Fotomuseum

Report of the Executive Board to the shareholders

We are pleased to present the annual report for the year 2007, including the financial statements duly signed by the members of the Executive Board and the Supervisory Board in accordance with Article 15 of the Articles of Association. KPMG Accountants N.V. has audited these financial statements and their auditors' statement is included on page 41. We recommend that you exercise your authority under Article 15 (5) of the Articles of Association by adopting the financial statements and thereby also ratifying the activities of the members of the Executive Board regarding their management and those of the members of the Supervisory Board regarding their supervision for the past year.

Profit appropriation

We recommend that the General Meeting of Shareholders add the remaining profit of EUR 896 million to the reserves, after deduction of the final dividend of EUR 400 million payable to the holders of ordinary shares pursuant to Article 19 (3) of the Articles of Association.

Capital

The authorised share capital as at 31 December 2007 amounted to EUR 1,176,856,500 divided into 1,853,711 ordinary shares, 150,000 non-cumulative A preference shares, 350,000 non-cumulative C preference shares and 2 non-cumulative B preference shares, all of these shares having a nominal value of EUR 500 each.

Supervisory Board

On 13 November 2007, Messrs K.A.M. De Boeck, J.M.A. Clijsters and P.J.A. Depovere stood down as members of the Supervisory Board. Messrs De Boeck and Depovere left the Supervisory Board as a consequence of their new positions within the ABN AMRO organisation. Mr. Clijsters decided to leave Fortis.

We would like to thank Messrs De Boeck, Clijsters and Depovere for their valuable contributions to the development of Fortis Bank Nederland.

As from 1 January 2008, Mr. B.J.H.S. Feilzer joined the Supervisory Board. He will chair the Audit Committee. As from 8 January 2008, Mmes I. Brakman, A.P.M. van der Veer-Vergeer and H.M. Vletter-Van Dort joined the Supervisory Board. Their appointment as members of the Supervisory Board is a consequence of the 'versterkte aanbevelingsrecht' (increased advisory rights) of the Works Council. We welcome these new members and trust that they will be of great value to the further development of Fortis Bank Nederland.

Executive Board

The primary areas of responsibility of the Executive Board members as at 31 December 2007 were as follows:

J.C.M. van Rutte	**Chairman of the Executive Board**
responsible for:	Technology, Operations and Process services HRM (including Works Council) Audit Services Finance Central risk management Facilities and Purchasing Legal, Compliance and Investigations Tax General Secretary
H.P.F.E. Bos	**Member of the Executive Board**
responsible for:	Commercial & Private Banking and Trust Services Corporate Sustainability Customer Events
F.J. van Lanschot	**Member of the Executive Board (Vice Chairman)**
responsible for:	Merchant Banking

Overall responsibility for Retail Banking is shared by the Executive Board.

Recent developments

The acquisition of selected ABN AMRO businesses will lead to an integration process in 2008 and following years that will be carefully planned in the interest of our customers and businesses. The timing of the steps to be taken to execute those plans will become clearer in the near future as will their impact on our organisation.

Fortis Bank Nederland agreed on a reallocation of ABN AMRO's Asset Management business in Brazil to Santander. This transaction will have a favourable effect on the core equity of Fortis Bank Nederland estimated at EUR 0.2 billion (through reversal of goodwill to be deducted in the future) and will not have a material impact on risk-weighted commitments.

Next to the transactions and signing of memorandum of understanding mentioned above, Fortis Bank Nederland is engaged in another transaction that will, when closed, further strengthen its solvency. This envisaged transaction is fully in line with the already communicated strategy and vision regarding the development of Fortis Bank Nederland businesses and markets.

Appreciation

The bank's results in 2007 were more than excellent, due to our continued focus on high standards of service for our highly valued and rapidly increasing customer base.

In every organisation, and especially in a service company such as our bank, both customer satisfaction and company results are largely the product of staff commitment and expertise. On behalf of the Executive Board and the Supervisory Board, we take this opportunity to express our appreciation to our staff for their dedication and hard work.

Amsterdam, 3 April 2008

Executive Board

J.C.M. van Rutte, Chairman H.P.F.E. Bos F.J. van Lanschot

left to right: H.P.F.E. Bos, J.C.M. van Rutte, F.J. van Lanschot

To sustain our growth momentum, we will concentrate our management focus, talent and capital on selected core competences, enabling us to better serve our clients

Report of the Executive Board for 2007

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.

Highlights in 2007

- Net profit of 1,296 million
- 33.8% participation in RFS Holdings B.V., which acquired ABN AMRO Holding N.V.
- Realised gains on sale of office buildings
- Lower results on ALM derivatives not included in the macro hedge
- Limited impact of the credit market turmoil

Results

Fortis Bank Nederland (Holding) N.V.'s profit was 12% higher in 2007 at 1,296 million (2006: EUR 1,157 million)

Consolidated income statement

Table: breakdown of net profit in 2007, 2006 and 2005

	2007	2006	2005
Income			
Interest income	19,169	13,532	8,893
Interest expense	(17,634)	(12,075)	(7,283)
Net Interest income	1,535	1,457	1,610
Fee and commission income	1,168	957	852
Fee and commission expense	(242)	(111)	(104)
Net fee and commission income	926	846	748
Dividend and other investment income	37	20	48
Share in result of associates and joint ventures	190	10	32
Realised capital gains (losses) on investments	126	97	161
Other realised and unrealised gains and losses	587	884	487
Other income	225	159	67
Total income	3,626	3,473	3,153
Change in impairments	(41)	(70)	(62)
Net revenues	3,585	3,403	3,091
Expenses			
Staff expenses	(955)	(848)	(923)
Other expenses	(910)	(843)	(664)
Depreciation and amortisation of tangible and intangible assets	(60)	(63)	(58)
Total expenses	(1,925)	(1,754)	(1,645)
Profit before taxation	1,660	1,649	1,446
Income tax expense	(346)	(472)	(377)
Net profit for the period	1,314	1,177	1,069
Net profit attributable to minority interests	18	20	20
Net profit attributable to shareholders	1,296	1,157	1,049

Fortis Bank Nederland is relatively little effected by the recent financial markets turmoil due to the liquidity and subprime crisis. Fortis Bank Nederland holds no direct investments in subprime mortgage related products. The limited effect of the credit market turmoil relates to a more expensive funding than anticipated.

Net interest income increased by EUR 78 million to EUR 1,535 million. Apart from the financing costs related to ABN AMRO, Net interest income developed favourably especially in Merchant & Private Banking (in part in relation to a decrease in Other realised and unrealised gains & losses). The Net interest income was further impacted by a lower level of penalty fees received in 2007, this was offset by the penalty fees of EUR 86 million paid in 2006 by FBN subsidiary Fortis Hypotheek Bank to Fortis Finance.

Share in result of associates and joint ventures was EUR 180 million higher at EUR 190 million. This result is in large part attributable to the Share in result RFS Holdings from 17 October 2007 onwards, associated with our selected stake in ABN AMRO's businesses.

Realised capital gains on investments were EUR 29 million higher at EUR 126 million. In 2007 EUR 65 million in gains were realised on sale of office buildings. The further gains were made on sale of shares, amongst others on shares KAS BANK N.V. The result in 2006 consisted primarily of a gain on Euronext shares in February 2006

Other realised & unrealised gains and losses were EUR 297 million lower at EUR 587 million. This decrease was due to lower results on Merchant Banking's equity investments and securities financing activities, offset by an increase in Net interest income related to these activities. Furthermore lower results on derivatives which were not included in the macro hedge.

Net commissions & fees amounted to EUR 926 million. The improvement of EUR 80 million compared to 2006 is in large part attributable to Merchant Banking activities, in part aided by structured finance fees related to the acquisition of ABN AMRO.

Other income increased by EUR 66 million to EUR 225 million in 2007. This increase was amongst others driven by the sale of fund activities.

Change in provisions for impairments amounted to EUR 41 million, down from EUR 70 million in 2006. This development was driven by releases in 2007. In view of recent economic developments and a peer analysis, it was considered necessary to challenge current Fortis procedures concerning IBNR. This led to review of the incubation period from 9 months to 6 months resulting in a release of the existing IBNR-provision (Incurred But Not Reported).

Staff expenses increased by EUR 107 million to EUR 955 million. This increase was driven by wage drift and higher staff numbers. In 2006 EUR 33 million was released from the provision for employer's contribution to the healthcare costs of retired personnel.

Fortis Bank Nederland (Holding) N.V. employed 10,003 **full-time equivalents** at year-end 2007, up from 9,949 at year-end 2006.

Other expenses increased by EUR 67 million to EUR 910 million. In 2007 expenses on External staff increased compared to 2006.

Income tax expenses amounted to EUR 346 million in 2007, corresponding with an effective tax rate of 20.8% (in 2006: 28.6%). The lower effective tax rate was mainly driven by a lower domestic tax rate and the inclusion of the Share in result in RFS Holdings.

Retail Banking

	2007	2006	2005
Income	753	1,081	704
Cost	-546	-583	-590
Net Profit	176	309	80
Cost-Income Ratio	73%	54%	84%
Contribution to Net profit	13%	27%	8%
FTE's	2,344	2,439	2,331

Merchant Banking and Private Banking

	2007	2006	2005
Income	2,167	2,121	1,720
Cost	-984	-1,002	-978
Net Profit	953	843	596
Cost-Income Ratio	45%	47%	57%
Contribution to Net profit	74%	73%	57%
FTE's	5,146	5,026	4,621

Other Banking [3]

	2007	2006	2005
Income	665	199	667
Cost	-395	-169	-77
Net Profit	167	5	373
Cost-Income Ratio	59%	85%	12%
Contribution to Net profit	13%	0%	35%
FTE's	2,513	2,484	2,507

Total

	2007	2006	2005
Income	3,585	3,403	3,091
Cost	-1,925	-1,754	-1,645
Net Profit	1,296	1,157	1,049
Cost-Income Ratio	54%	52%	53%
FTE's	10,003	9,949	9,459

[3] In the section Other Banking are reported balance sheet items, revenues and costs for support functions, operations, Asset and Liability Management and Fortis Hypotheek Bank. The figures are those after allocations to the commercial segments.

Structure of Fortis Bank

Within the Fortis group, Fortis Bank operates worldwide through client-focused businesses: Retail Banking and Merchant & Private Banking. Each business comprises several business lines.

The coordination of Fortis' various banking activities in the Netherlands is the responsibility of the Executive Board of Fortis Bank Nederland. To enable the Executive Board to perform this task, the members of the Executive Board are also members of the respective cross-border management teams of the businesses and corporate departments.

The principal operations of the various businesses within Fortis Bank Nederland in 2007 are summarised on the following pages.

Retail Banking

Retail Banking Netherlands is the distribution channel for Fortis' retail banking activities in the Netherlands. Retail Banking serves mass retail and mass affluent consumers and the small enterprises and professionals (SE&P) market. It offers a full range of banking products and services, ranging from daily banking and savings/investments accounts to mortgages and insurance. Retail Banking pursues a differentiated customer approach and multi-access distribution strategy.
The mission of Retail Banking Netherlands is to build a profitable and solid business by offering outstanding service to its customers. To this end Retail Banking pursues four main growth initiatives: expansion of the active client base, development of remote channels, increase in share of wallet per client and improvement in service quality.

Key developments in 2007

Retail Banking strives to offer its clients a seamless multi-channel experience. The development of an integrated range of fully customer-centric distribution channels was given a boost with the launch of our revamped website: www.fortisbank.nl. Apart from an up-to-date look and feel, the website features a notably customer focused design, enabling customers to find the information they are looking for more quickly. Other features are the enhanced versatility of the integrated online banking module and a number of new online advice, self-buy and self-service tools such as purchasing a car insurance. The online investment platform has been extended by the provision of tools for portfolio simulations and analysis. The online banking functionality was also extended by the provision of differentiated content and tools for entrepreneurs and professionals.

Two of the most notable developments at our Contact Centre were the successful rollout of a new agenda planning tool and the introduction of full service mortgage advice with closure by telephone. The new agenda tool enables customers to call and immediately plan a meeting at any branch office through the use of one central number, available 24/7. The introduction of a customer satisfaction dashboard facilitates the registration and evaluation of customer feedback at the level of individual agents as well as at higher levels.

The accessibility and visibility of our ATM network were significantly enhanced by the introduction of ATMs in several third party retail outlets. A program, rolled out as a part of our customer experience strategy, resulted in significantly increased operational availability at our on and off premises ATMs.

The rollout of an internal sales effectiveness program led to a significant increase in both face-to-face customer contact and revenues per account manager. The program helps local commercial staff to effectively manage the sales channel by focusing on the immediate customer needs. The increasingly pro-active attitude of our sales staff has had a direct and clearly positive effect on our share of wallet and, more importantly, on the satisfaction levels of customers.

A new range of three daily banking bundles was introduced to simplify customers' product offerings and to generate a more satisfactory level of profitability in this area. Several new mortgages and savings accounts were introduced, focusing on the needs of specific customer sub-segments. The savings portfolio showed a clear upward movement, marking a reversal of the previous trend. Assets under management also showed a significant increase.

An integrated package of enhancements, expansion of product offerings, differentiation of credit acceptance guidelines, online banking tools and customer relationship management were introduced to strengthen our position in the small enterprises and professionals market (SE&P). The package also features the introduction of micro-credits for small-sized business start-ups. The successful two-tier approach of serving both the business interests and the personal interests of entrepreneurs was further continued. Preliminary data indicate that SE&P was on track to meeting its overall targets for 2007, pointing towards especially strong growth in credits and mortgages.

A new system of customer satisfaction measurement was introduced, known as 'net promoter score'. The changes focus on monitoring satisfaction at levels that correspond with a high probability of customers actually recommending Fortis to friends and colleagues.

A corporate programme to raise personal health awareness among employees was launched. The program offers lifestyle information through a variety of online and offline media on such topics as physical exercise and nutritional habits and also provides regular health-enhancing activities, such as group lunch hour exercises.

The performance management process and encouragement of personal development were further strengthened with the digitalisation of individual performance plans and the formalisation of periodical performance evaluations and of personal development plans.

Focus in 2008

Generating significantly higher levels of customer satisfaction will remain fundamental to our strategy in 2008 and beyond. Enhanced customer satisfaction is essential in terms of motivating our customers to do more business with Fortis and to actively promote our services among family and peers. Enhanced customer satisfaction levels are also critical in terms of meeting our objective of becoming the preferred bank for the mass affluent consumer market. An integrated customer-centric approach will be developed along the touch points of behaviour, product/service offerings and systems/processes. Continuous customer feedback and customer dialogue are at the heart of this approach, the creation of a truly customer-centric organisation and culture being the ultimate objective. Differentiating our service offerings and delivery to the changing needs of our customers will be our core competence as a bank.

The measurement of customer satisfaction by the 'net promoter score' instrument will be expanded to the level of clusters of branch offices. Access to products and services without the need to visit a branch office will be further expanded. Online access and product closure by customers will be introduced within online banking. Investing customers will also have online access to their investment accounts.

The initial steps will be taken to integrate ABN AMRO Business Unit Netherlands' retail and SE&P activities into Retail Banking Netherlands, pending approval of Fortis' integration proposals by the Dutch financial regulators. The integration process is expected to be completed by 2010.

The mission of Retail Banking Netherlands is to build a profitable and solid business by offering outstanding service to its customers.

Merchant & Private Banking

Merchant Banking

Business profile

Merchant Banking is the international wholesale bank within the Fortis organisation. It provides tailored financial services, to large international companies and institutional clients based in the Benelux region and elsewhere in Europe, and in selected areas of North America and Asia. Merchant Banking offers a full range of banking services, including treasury, fixed income, equities (including derivatives and structured products), corporate finance, capital markets, cash management, asset financing, project finance, private equity and structured credits. It is also a specialist in fund administration, global custody, securities lending and clearing services.

Corporate & Public Banking

Key developments in 2007

Corporate & Public Banking is responsible for the global relationship management of corporate and public sector clients. Our knowledgeable and experienced bankers have the expertise to provide top-ranking financial support in all industries. Close cooperation across all business lines has further enhanced cross selling both geographically and in terms of products and skills. Fortis' quality is recognized by being ranked number 1 in quality of relationship management in a notable 2007 Large Corporate Banking survey.

Focus in 2008

The combined strength of Fortis' and ABN AMRO's corporate banking activities will allow us to become the natural successor to ABN AMRO and be the number 1 leading bank in the foreseeable future. We will focus on mid-sized and large corporates and organize our operations to benefit optimally of the joining of forces. We are committed to be the strategic partner to our corporate clients through all the economic cycles by providing in-depth knowledge of markets and sectors as well as understanding the companies strategic and financial needs. Our focus is to maintain high client satisfaction by providing operational excellence, efficiency and enhancing of services to clients. We invest in long-term relationships by providing real knowledge of the business and tailor made services based on the clients' ambitions.

Our clients will be able to benefit from Business Centres in 20 countries. The global relationship manager will take care of all international businesses. We aim to be the employer of choice for first class professionals and top graduates.

Our specialized Health Care and Public Sector teams will create distinctive customer value through relationship driven banking and delivering innovative solutions. Health Care will focus on becoming the market leader in the Netherlands, Public Sector strives to be a top 3 player for education, social housing and in the varia market.

Energy, Commodities & Transportation (ECT)

Energy, Commodities & Transportation is a high growth business line within Merchant Banking that offers a full range of integrated and innovative solutions to companies in the energy, commodities and transportation industries, by combining in-depth industry knowledge with a wide range of customised products. 500 professionals, working out of 23 offices worldwide, are driven by the ambition to be part of the world's best ECT bank.

Energy, Commodities & Transportation (ECT) offers financial solutions to three industry sectors in which we have a strong regional or global leadership position.

Key developments in 2007

Fortis continued its position as top 5 player in Oil & Gas in North America and top 3 player in the market for Floating Production Storage & Offloading systems (FPSO's).

Fortis strengthened its position in the energy markets world-wide in general and in particular in the upstream oil & gas industry, offshore services and in renewable energy. In 2007 Fortis again topped the New Energy Finance League Tables for syndicated financing of renewable energy projects. Fortis was named a 'clear leader in the space of clean energy financing'.

Increased focus on clients in joint cooperation with other Fortis services resulted in more products being delivered to our existing client base. The active cooperation between the newly acquired Fortis Energy Marketing & Trading (FEMT) and the various Energy teams around the world resulted in interesting transactions concluded and added to the overall service capabilities to Fortis' energy clients.

Fortis became the Best Soft Commodity Finance Bank in the Trade and Forfaiting Review and is considered the top 3 bank in commodities worldwide.

The year 2007 was again a year of growing volumes and market shares for commodities. Rising commodity prices in energy, agricultural and certain sectors of metals did support this trend. Markets continued to be very competitive where Commodities has been able to further expand the product range sold to their clients. As a result of the positive developments in the commodity markets over the last couple of years, Commodities have been able to grow with their client's base.

Fortis has continued to build upon the reputation it has developed as one of the world's leading international transport financiers. Fortis has once again made significant leaps in world standings, jumping from number 9 on the ship finance MLA league tables in 2006 to number 5 in 2007. Fortis' position as a leading corporate financier was also recognised in 2007 with the Lloyd's Shipping Economist award for "Shipping Finance Advisor of the Year".
Significant progress was also made in 2007 in building its profile as an offshore and oilfield services specialist and established a team focussed on supporting the LNG shipping industry.

Focus in 2008

- Focus on an integrated service offering by the three industry groups
- Deliver added-value products to our energy, commodity and transportation clients
- Expanding ECT teams in existing and new locations (e.g. Australia and Japan)
- Building upon the niche positions in sub-industries
- Effective risk-return management
- Increase existing focus on social and environmental responsibility.

Global Markets

Global Markets provides innovative, comprehensive, tailored and integrated solutions to meet the financing, investing and hedging needs of our clients. Our services are offered through direct sales contacts and electronic platforms such as the single client platform ForPro. We offer seamless 24-hour coverage through our network around the globe. We are present in 25 countries across Europe, America and Asia. We are committed to providing our clients with the products they need in the areas of foreign exchange, rates, structured products, securities financing, currency management, investment products, equities, energy and carbon.

Key developments in 2007

With offices in Europe, the US, Hong Kong and Singapore, we are the first bank in the world to offer a Carbon Banking service 24 hours a day, seven days a week. More than 20 Fortis staff are involved world-wide in the Carbon Banking activity. In 2007, this has enabled Fortis to participate in the largest and most innovative global carbon deals, to be a market maker on the European Climate Exchange, and to close more than 20,000 carbon deals. Our carbon banking activities have come a long way since their launch back in 2003. Fortis is now recognised as a leader in the European trading market in emission allowances and in the Kyoto market in Certified Emission Reductions. We boast ample experience and an excellent track record both as a proprietary trader and as an execution trader on behalf of over 250 counterparties. With the expertise to deliver added value, we offer our customers a range of greenhouse gas solutions, including administrative settlement of carbon transactions, trading, finance, fund, clearing and escrow services.

Focus in 2008

Our main focus in 2008 will be in the following areas:

- Securities Financing, still a niche business with upward potential
- Structured Products (including equity derivatives)
- Forex & Rates (including interest rate exotic derivatives)
- Energy and Commodities.

Clearing, Funds & Custody

Clearing, Funds & Custody offers high-value financial services in the areas of custody, clearing, fund administration and financing that support financial professionals in their trading and investment activities.

Key developments in 2007

The Global Securities & Financing Group expanded its bond repo business globally by strengthening its teams in Asia and the Americas, capturing a greater share of the securities financing business in those regions and laying the foundation for future growth.

In Clearing, we expanded our market access capabilities in Europe, the US and the Asian/Pacific region, giving traders worldwide exchange connectivity in a straight-through-processing environment. We have become a general clearing participant in the pioneering new European Multilateral Trading Facility, Chi-X, and we provide central counterparty services through the European Multilateral Clearing Facility. This market adds to the list of over 60 exchanges worldwide on which we offer clearing services to our customers. This initiative, plus our efforts to reduce post-trade costs for clients, earned us the 'Best at Investor Services in Western Europe' award from Euromoney. Building on our success in the Netherlands and Belgium, we are expanding in France and Germany with our broker-custody services. In July 2007, Brokerage, Clearing & Custody was proud to receive SAS 70 Type II certification, an internationally recognised auditing standard.

Prime Fund Solutions enjoyed healthy growth in the Western Hemisphere. We extended our services to an additional 16 investment management firms, including several top name players. Despite the market turmoil, assets under administration/custody grew by 34% to more than USD 400 billion. We provide a highly regarded value chain of services – true 24/7 service provision in 17 locations – that has a direct impact on the performance of our clients' funds. During the year we expanded our alternative fund platform to service our clients in Luxembourg. Prime Fund Solutions received SAS 70 Type I certification in 2007. We also received the 'Hedge Fund Administrator of the Year' award for our strategy, leadership and attention to detail.

Clearing, Funds & Custody played a key role as an exchange agent for the consortium's EUR 72 billion tender for the acquisition of ABN AMRO. This underlines our operational excellence in supporting one of the biggest takeovers ever in the financial industry.

Focus in 2008

Our main areas of focus in 2008 will be to:

- increase trading capabilities by widening our product range,
- provide prime brokerage services,
- expand into the onshore funds market in the USA, and
- capitalise on the acquisition of ABN AMRO.

Acquisition & Leveraged Finance

Acquisition and Leveraged Finance (ALF) is an important and active player in the European leveraged finance market. The focus is to provide tailor-made debt financing solutions for financial sponsors and bank clients for their LBOs, MBOs, corporate take-overs and recaps following strategic corporate events. ALF has teams operating out of Brussels, Rotterdam, Paris, London, Madrid, New York, Milan, Frankfurt and Istanbul.

Key developments in 2007

In 2007 ALF had a record year in terms of lead roles in LBO financing, revenues and fee income, confirming the market's recognition of Fortis as one of the leading mid-cap players in the European LBO market. Important transactions led by ALF included Dockwise (UK/NL), Joris Ide (Belgium), Marco Aldany (Spain), Targetti (Italy), Nedschroef (Netherlands) and Karavel (France). Following our proactive risk monitoring approach, we further increased our portfolio management capacity. A dedicated pan-European leveraged finance syndication unit was created.

Focus in 2008

In 2008 we will focus on the further roll out of our pan-European ALF network, which currently operates in 9 countries, and on a significant increase in the number of lead arranging mandates.

Investment Banking Netherlands

Investment Banking Netherlands' goal is to become the obvious partner for the Dutch mid-market and corporate client segment, being perceived as the natural successor to ABN AMRO in the Netherlands.

Key developments in 2007

Investment Banking delivered excellent results in 2007, not only in absolute terms but also in terms of commercial cross sell to clients. The visibility of our deals increased the profile of the Investment bank in the Dutch market, and we are receiving great acclaim for the quality of our work.

Focus in 2008

At the top of our agenda for 2008 are the preparation for and the execution of the integration of ABN AMRO, summarised as follows for the various businesses:

- Acquisition & Leveraged Finance (ALF) NL: Ensure that ABN AMRO and Fortis together are more than the sum of the parts, by:
  - Establish a dominant position in the Dutch Leveraged Buy Out arena with focus on (I) credit quality of deals, (II) risk/return and (III) senior positions in the mid-market (25 – 500 million total debt)
  - Further strengthening of relationships with key Financial Sponsors through the one-stop shop concept and value-added propositions;
  - Continuing our role as centre of expertise and booking for all strategic event-financing solutions
- Corporate Finance & Capital Markets (CFCM) NL: Become a top player, by 2011, in the mid-market (i.e. in transactions up to EUR 1 billion enterprise value). Currently we are already number one in Equity Capital Markets (2007). In M&A, where we already have a good position in the mid-market, we aim to be the natural partner for Dutch large cap Corporate Finance transactions and to be the natural domestic partner for international investment banks in Equity Capital Markets transactions (particularly the larger ones). Retail placement capabilities in the whole of the Benelux would be an extra trump card.
- Export & Project Finance NL (GEPF): Maintain our position as a leading player in the Dutch Public Private Partnerships Market. GEPF seeks to reinforce its leading position in the Dutch Export Finance Market due to a larger client base and to continue its role as a centre of expertise for Export & Project Finance solutions.
- Private Equity NL (FPE): Leverage Fortis' increased foothold and visibility in the Netherlands to achieve strong growth through selected investments in companies which are active in the small and mid market segments.
- Principal Finance NL (FPF): is responsible for the world-wide coverage of transportation equipment leasing companies and the container shipping industry. FPF operates on a relationship driven basis, focusing on developing long term relationships with quality clients active in the aviation, rail and container sectors.
- Real Estate Finance Group (REFG) NL: Accelerate the ambition to achieve the number 2 position in the Dutch RE Finance market (initial target 2011), based on the larger client base (including ABN AMRO) and sales team. REFG's focus will continue to be on professional RE investors and developers within the Fortis-wide agreed RE client cut-off criteria with REFG NL ensuring client coverage. Key levers include capitalizing on the joint RE base in the context of CMBS initiatives (joint venture with Global Markets), providing a full range of solutions (including co-investments, securitisation and syndication).
- Structured Finance NL: the acquisition of ABN AMRO does result in a significant increase in tax capacity in the Netherlands providing increased opportunities for principal tax capacity transactions and origination of arranger business.

Global Export & Project Finance

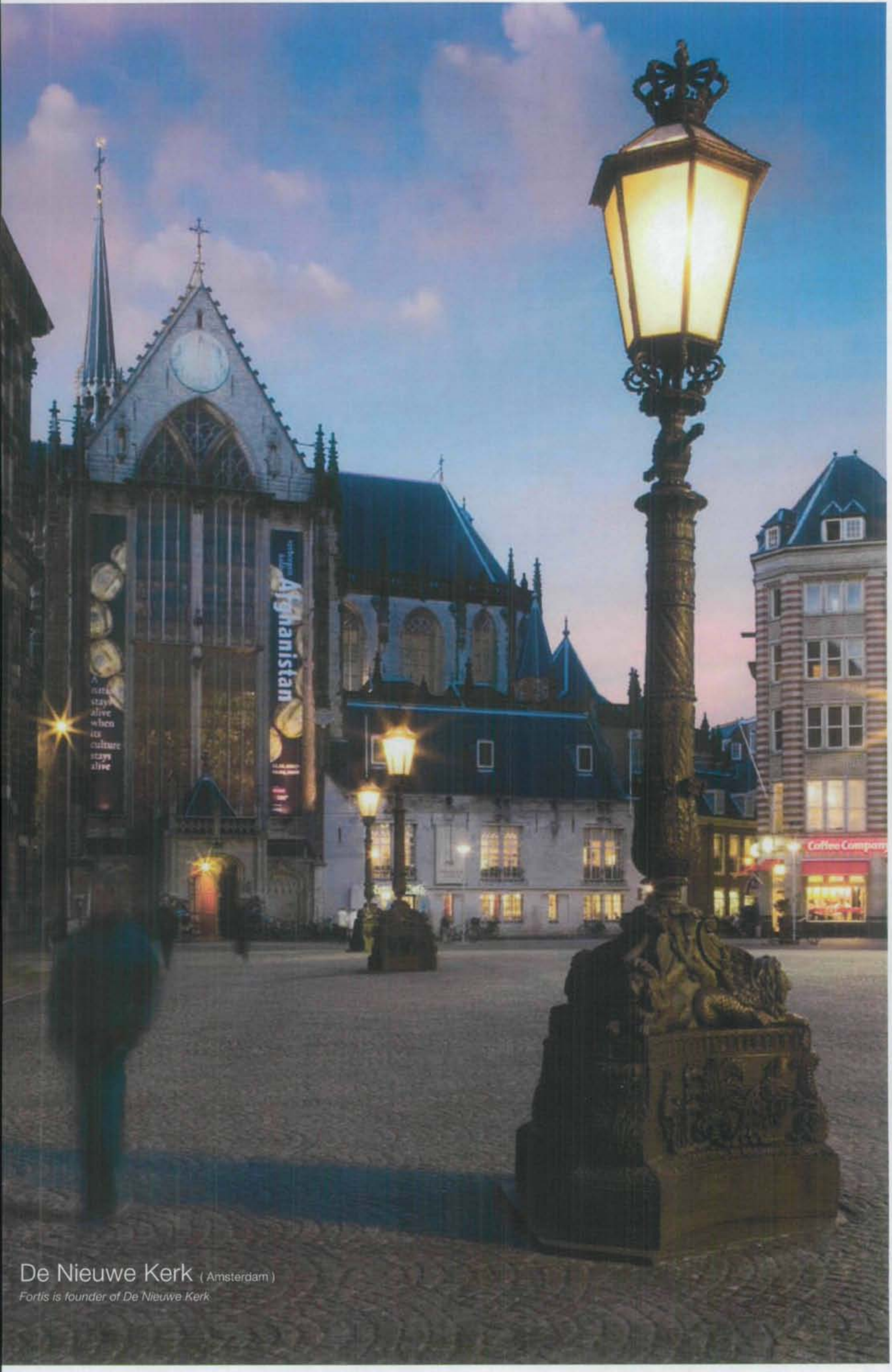
Global Export & Project Finance (GEPF), which is part of Fortis Investment Banking, is Fortis Bank's competence centre for export and project finance transactions (including PPP/Infrastructure and mining project finance). With a fully integrated team of about 120 professionals, GEPF operates out of 15 countries Belgium (HQ), China, the Czech Republic, Dubai, France, Germany, Italy, Japan, Singapore, Spain, Sweden, the Netherlands, Turkey, the United Kingdom and the USA. In addition, its activities are further supported by Fortis' Representative Offices in China, Mexico, Vietnam (Hanoi & Ho Chi Minh City), Algeria, Brazil, Indonesia, India, the Philippines, South Africa and South Korea.

Key Developments in 2007

2007 was another year of significant investment, and this enabled GEPF to expand its worldwide presence (to include Shanghai and Tokyo) and to reinforce its teams in existing locations. This investment also generated strong revenue growth. Furthermore, Fortis' know how in terms of structuring the financing of important projects worldwide as well as financing exports of capital goods to emerging markets is recognized by its core clients and peers, and this resulted in several "Deal of the Year" awards for its role of Mandated Lead Arranger in these transactions. Strong leading positions have been developed in niche markets, such as Ghana, Angola, Turkey, Chile and Indonesia.

Focus in 2008

In 2008 GEPF will continue to build upon its leading positions in niche markets by focusing on providing high level integrated structured finance services to Fortis' core clients.



De Nieuwe Kerk (Amsterdam)

Fortis is founder of De Nieuwe Kerk

Commercial Banking

Commercial Banking aspires to be the partner of choice for European-oriented medium-sized enterprises by offering value-added solutions through a cohesive network of Business Centres. Fortis provides companies with access to a unique integrated network of around 125 Business Centres located throughout Europe and Asia, enabling them to manage all their financial services internationally through one single contact – their Global Relationship Manager – who brings together all of Fortis' expertise and provides specialist, tailor-made solutions. Through this single point of contact, the 'Act as One' approach offers customers throughout Europe a consistent level of service and a consistent palette of cross-border products, services and specialisms.

Financial services for medium-sized, internationally active companies are a growing and profitable market. Commercial Banking has been focusing on this segment for several years now, giving us a first-mover advantage thanks to our unique cross-border approach, our integrated skills and our European and Asian network. Our competitors – still largely organised on a country basis – are only just embarking on the cross-border integration that the market demands. Our broad range of services, reinforced by selective acquisitions and the expansion of our Business Centre network, generates more frequent and more sophisticated deals, demonstrating our ability to combine solutions that appropriately address the needs of our customers.

Key developments in 2007

In the Netherlands, Commercial Banking has generated revenue growth through intensive cross-selling and by attracting new clients using our 'Bank of the Year 2006' awarded service concept. The sales process FINE was implemented in order to increase focus and ensure that commercial efforts are directed effectively at our clients' and prospects' needs. FINE is an integrated process implemented throughout the organisation. It ensures our people focus on 'doing the right thing', with support tools 'making it easy to do the right thing', and it is integrated into the performance management and incentives program to provide 'reward for doing the right thing'. Project Magnum, a project undertaken jointly by Commercial Banking and Global Markets, was launched in the Netherlands. Magnum improves our clients' awareness of risk and liquidity solutions and has resulted in an increase in revenues from derivatives. Our Enterprise & Entrepreneur concept, developed jointly with Private Banking, strengthened relationships with our mutual clients and attracted new business owners looking for an integrated approach. Various projects were launched to streamline our credit origination processes and to further decrease time-spans between the application and implementation of financial solutions for our clients. We also invested in upgrading and reviewing our risk management procedures. Furthermore, compliance remained a highly important area of focus during 2007. Various initiatives were undertaken to embed Compliance into every department of the organisation.

Focus in 2008

The objective for 2008 is to further leverage our growth potential by strengthening our focus on added-value solutions for our clients and prospects using the FINE sales process. As from 2008, FINE has been linked to a coordinated actions & events program. This creates windows of opportunity by matching our solutions with the financial issues enterprises encounter at the right moment during the year. In order to further embed focus, customer centricity and responsiveness towards our new and existing clients, Commercial Banking has embarked on a new modular training program for employees at all levels within the sales force. Our integrated pan-European network of Business Centres is expanding rapidly. This creates new opportunities to apply our unique 'Act as One' concept for servicing international companies both in the Netherlands and abroad. Also, our extensive industry experience in Global Horti Business, International Trade, Transport & Logistics, Inland Shipping and Fashion continue to be growth platforms for 2008. Compliance will continue to be an increasingly important theme, which will require constant attention from management and employees.

Private Banking

Fortis Private Banking aims to be an integrated international Private Bank, with a broad service offering and harmonised cross-border focus, dedicated to (Ultra) High Net Worth clients in selected countries. Business owners are the most important source of wealth creation and, consequently, within Merchant & Private Banking, the Private Banking and Commercial Banking business units have joined forces to offer services to both enterprises and entrepreneurs alike.

Fortis Private Banking aims to be the Service Provider of Choice for (Ultra) High Net Worth clients. Fortis focuses on establishing long-term relationships built on an in-depth understanding of each client's needs and goals. Fortis offers integrated services for asset & liability management by combining all the skills necessary to address specific needs, be it wealth preservation, income optimisation, capital growth or entrepreneurial needs. To this end, our relationship managers draw on the in-house expertise of specialists in structuring wealth, including estate planning, investing, financing and insurance. It is this differentiating service model that distinguishes Fortis Private Banking. The integrated client relationship model is supported by one global operating model. The integrated models ensure that clients receive the same high quality of service and attention, wherever they are in the world.

Key developments in 2007

Fortis' private banking business is ranked among the top 15 private bankers in the world and 3rd in Western Europe. In 2007, Private Banking strengthened its service offering by further focusing on its concept of using the 'best brains in the business'. Primary research with respect to fund selection was outsourced to Standard & Poor's, following the outsourcing of large cap research earlier in 2006. In addition, the global investment process was reengineered to facilitate full client focus. Further steps were taken in the development of new products and services dedicated to entrepreneurs. A sales effectiveness model was introduced, which improved commercial steering and enables our relationship managers to service their clients even better.

We launched an advertising campaign in the Netherlands and abroad with the central theme of 'best brains in the business'. In 2007, the implementation of the MiFID regulations involved us in a substantial programme to bring the organisation into compliance and the project was concluded successfully. Sales staff were given training not only with respect to MiFID, but also with regard to ensuring compliance with the new Financial Supervision Act as from 1 January 2007. In the area of processes and systems, further steps were taken in preparation for the rollout of a new system scheduled for December 2008.

Focus in 2008

The anticipated combination of Private Banking with the newly acquired businesses of ABN AMRO Bank creates a top 3 European Private Bank and a solid base for growth in selected European countries. In Business Operations, we will exploit economies of scale and leverage investments in platforms and products. The scale of the business will facilitate a strict focus on our (Ultra) High Net Worth client segment. A substantial number of revenue synergies have already been identified. The target cost/income ratio lies in the range of 60–65. We will leverage best practice in the Private Banking service offering and further benefit from cross-selling opportunities within Fortis.

Given these initiatives, the combination will be an important catalyst for new developments in Private Banking. However, 'business as usual' is not to be disrupted and client focus will remain at the core of our business. Without compromising our ongoing service offerings for traditional clients, the service offerings to entrepreneurs will continue to be an important focus point. Internal cooperation with the merchant banking, trust and other businesses will be further developed. In addition, system development will continue as planned to support our global integrated Operating Model, with an important milestone set for the Netherlands in December 2008.

Fortis Intertrust

Fortis Intertrust, part of the Merchant Banking business line, is a corporate & private wealth service provider. Fortis Intertrust structures assets and capital on a global basis for professional, business, fiscal or legal purposes. Many, mainly large, international companies structure their activities through countries such as the Netherlands. Fortis Intertrust is a true reflection of the global economy. With its headquarters in Geneva and a staff of some 1,000 people in 23 countries, Fortis Intertrust is one of the leaders in the industry.
The strategy of Fortis Intertrust Netherlands is to be the Quality Leader in the business, achieved through continuous improvement and innovation for the benefit of clients, intermediaries, Fortis and employees. This ambition can only be achieved and maintained if the staff and the processes are of the highest possible quality. Fortis Intertrust Netherlands has initiated and completed various projects in 2007 in support of this objective.

Key developments in 2007

2007 was a tremendous year for Fortis Intertrust Netherlands. While the main focus was on the operational and quality side of the business, the commercial side also flourished as never before.

In July 2007, Fortis Intertrust Netherlands was granted a SAS-70 type I statement covering its entire organisation, the first provider of corporate and private wealth services in the Netherlands to achieve this.

An extensive compliance review project has been undertaken for all client acceptance files with a view to establishing full compliance with the Dutch Supervision of Trust Offices Act. The focus on excellence in compliance has been very well received and has led to an increased inflow of clients from the high end of the market.

Fortis Intertrust Netherlands has created its own in-house education institution, the Fortis Intertrust Academy. To equip them with the knowledge they need to perform their responsibilities properly, the training provides recent joiners with up to eleven modules covering the various elements of the business. The Fortis Intertrust Academy issues an officially-certified Further Education diploma.

Focus in 2008

The strategy of Quality Leadership as described above will be maintained and further developed. The focus will be on delivering top quality service to clients. The SAS-70 type II statement is expected to be issued in early 2008, which further underlines our high quality standards.

Cross-servicing with other Fortis business lines will be further intensified, reflecting the increasing requests from clients for integrated services and solutions. The company's innovative character will be enhanced by developing new services and products, all meeting the high quality standards rightfully expected by our clients.

Amsterdam Airport

Sustainability

Fortis believes that every business has an obligation to address issues that impact society as a whole. And our actions bear out that conviction. We have a proud history of running our business in a socially responsible manner and of making a difference in the communities we serve. Our commitment to corporate social responsibility continues to develop and strengthen year by year.

CSR: two dimensions

There are two dimensions to the way Fortis approaches corporate social responsibility. The first is Sustainable development, which we define as growing our business in a socially and environmentally responsible way, while simultaneously meeting the legitimate interests of our stakeholders. The second dimension is Community involvement. This means taking an active role and responsibility in helping local communities achieve their ambitions. We do this through a combination of philanthropy and volunteer work. Our Fortis Foundations are the primary drivers of this commitment. We are fully committed to embedding both these dimensions in our core business and in the way we organise our company.

We are more convinced than ever of the business case for CSR. Over the years we have learned that looking at our customers from a sustainability perspective opens up a world of new opportunities.

Achievements in 2007

Our efforts in corporate social responsibility led to a number of tangible results. Some notable examples are presented below.

Our major CSR achievements in 2007

- Setting up the CSR Advisory Board
- Implementing Carbon Neutrality Programme
- Drafting the Fortis Human Rights Statement
- Partnership with the UNDP in Carbon Banking
- Best CSR Report in Belgium
- Improving our Dow Jones Sustainability Index position
- Doubling our Sustainable Assets under Management
- Endorsing the UN Principles for Responsible Investment
- Growing our Carbon Banking and Renewable Energy Financing business
- Developing Code of Responsible Lending
- Revising our Defence Industry Policy and optimising its implementation

CSR Advisory Board

A landmark development occurred at Fortis in September 2007 when we created the Fortis CSR Advisory Board. The Board's international line-up of respected experts will provide Fortis with in-depth and wide-ranging advice on our CSR policies and practice. Further details of the Board and information on its members are available at www.fortis.com/sustainability/advisoryboard.

Signing the United Nations Principles for Responsible Investment

The need to incorporate sustainability principles in our investment processes is one of the most pressing CSR issues for a financial institution like Fortis. This is clearly one of the areas in which we can have the greatest impact, both by setting an example and by offering sustainable investment products. Fortis Investments has a long history in Sustainable and Responsible Investment management. It further strengthened its commitment to sustainable investment in 2007 by endorsing the United Nations Principles for Responsible Investment.

Partnering with United Nations Development Programme
We teamed up in June 2007 with the United Nations Development Programme (UNDP), which announced that Fortis would act as financial services provider for its Millennium Development Goals Carbon Facility. This innovative project will draw on the resources of the carbon market to promote sustainable development among a wider range of emerging economies. Under the terms of the partnership, UNDP will help developing countries set up projects to reduce emissions of greenhouse gases. Fortis will then purchase and sell on the emissions-reduction credits generated by the projects. The proceeds from our purchases will provide developing countries and communities with a new flow of resources to finance much-needed investment and to promote development.

Implementing our Carbon Neutrality Programme

Our focus on climate change led to Fortis's decision to introduce a global Carbon Neutrality Programme. This comprehensive initiative, which was launched in January 2007, confirms our commitment to be an environmentally sustainable financial services provider. We intend to further strengthen Fortis's position as a climate leader and first-choice provider of environmental financial products. We made significant progress in all areas of our programme during its first year of operation. We achieved full carbon neutrality in our global operations by offsetting our emissions through the purchase of high-quality carbon credits originating from projects like windmills and solar or biomass power stations, preferably in emerging economies.

Strategy: Agenda 2009

Agenda 2009 is the roadmap for the next stage of our sustainability journey. We formulated this plan to help us realise our ambition to be regarded as one of the leading financial institutions in CSR. Agenda 2009 is structured around three themes:

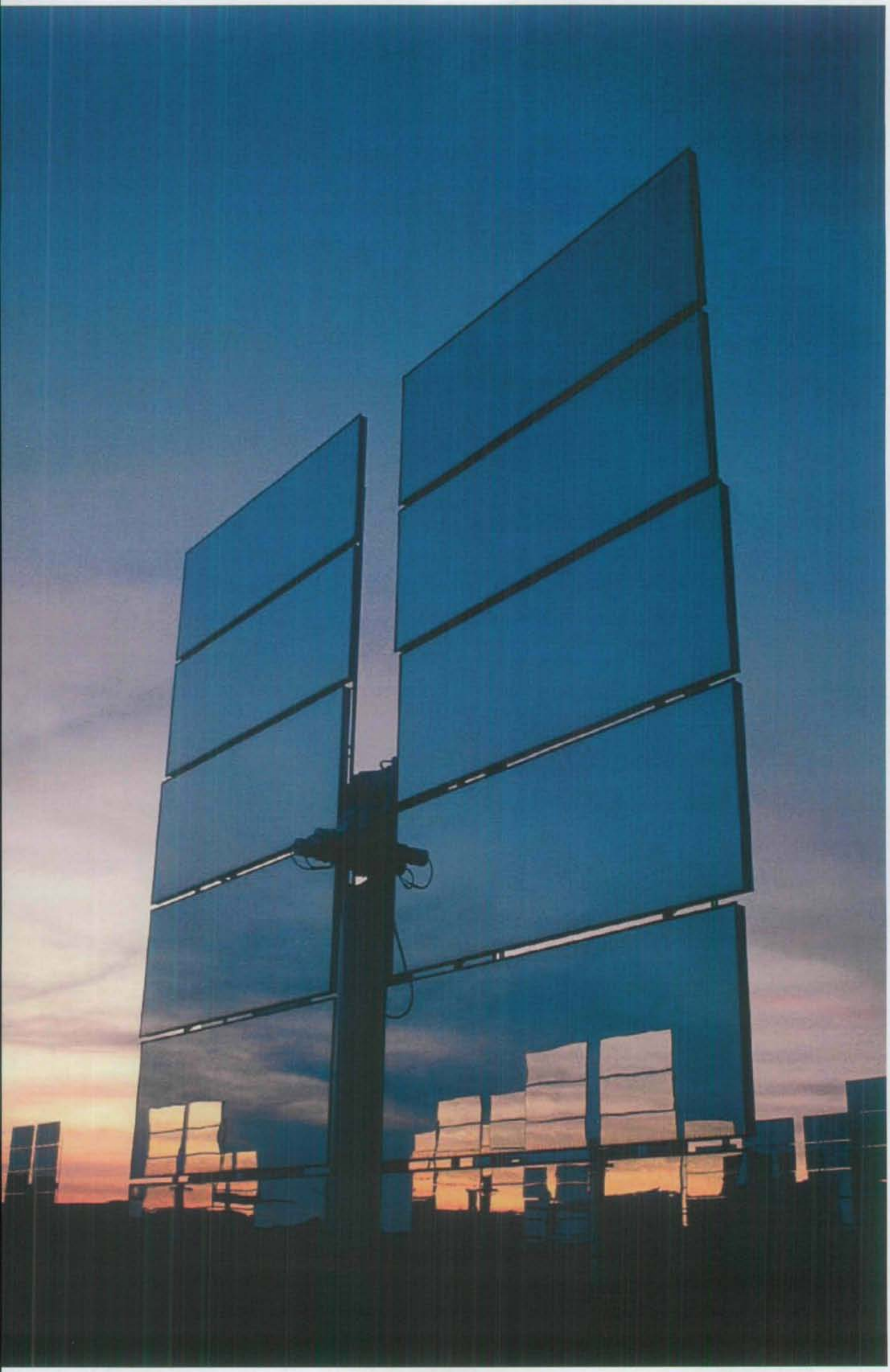
- Sustainable supply chains: by thoroughly understanding the supply chains in which we and our customers operate, we can promote sustainable development within those chains, enabling us to deepen the relationship with our customers and to build new and innovative partnerships.
- Climate change: we are contributing to the battle against climate change by reducing our own carbon footprint, analysing our indirect environmental impact, proactively developing products and services that address climate change and developing business-driven policies in this area.
- Social inclusion: through our Fortis Foundations, we help vulnerable groups to participate fully in society. Fortis is also committed to developing products and applications that provide everyone with access to the benefits of our financial services.

We identified these three themes after exhaustive consultation with our internal and external stakeholders. We are convinced that they capture the most important and substantive CSR challenges we will face in the years ahead.

CSR Roadmap

Agenda 2009 (2007–09)		Status
Focus and acceleration		
• Building on overall themes Sustainable supply chains	✓✓✓	Good progress
Climate change	✓✓✓✓	Excellent progress
Social inclusion	✓	Poor progress
• Continuing to embed CSR in all parts of the organisation	✓✓	Medium progress
• Implementing Carbon Neutrality Programme	✓✓✓	Good progress
• Developing and rolling out specific policies	✓✓	Medium progress
• Further expanding Fortis Foundations	✓	Poor progress
• Drafting and implementing Fortis Human Rights Statement	✓✓	Medium progress
• Strengthening stakeholder dialogue and communication	✓✓	Medium progress
• Developing sustainable products and services	✓✓✓	Good progress
• Actively participating in international debate on CSR	✓✓✓	Good progress

A full overview of our CSR efforts and tangible results in 2007
is available in our Corporate Social Responsibility Report 2007 and on our website www.fortis.com/sustainability.



Human Resources

Fortis Bank Nederland has recently invested heavily in a good working environment for its staff, such Human Resources initiatives as focus on talent, conditions of employment, health and sustainability.

Vigorous

Fortis Bank has invested greatly in 2007 in the ongoing health of its staff. A major project has been rolled out under the name BRAVO (in English: more Exercise, no Smoking, moderate use of Alcohol, healthy Eating and Relaxation). Much has been invested not only to make employees aware of their lifestyle but also to help them in tangible ways should they wish to make changes. A few examples of the BRAVO initiatives: for a modest individual contribution, all staff may make use of a company fitness programme; courses are provided on stopping smoking; the company restaurant continually promotes the use of good healthy products, and workshops are offered on the best ways to relax. Fortis Bank promotes voluntary employee participation in this; participation is up to the individual employee.

Sustainable

In 2007, Fortis Bank Nederland introduced "Sustainable Lease", under which staff who are eligible for a new car are made aware of the possibilities available for sustainable motoring. Those who select a car from an energy-efficient category receive a discount on their personal contribution. In addition, leased-car drivers also receive a Dutch Railways free travel card.

Successful

Fortis Bank Nederland has had great success in its Human Resources strategy during 2007. This was demonstrated, inter alia, by Intermediair's October 2007 selection of Fortis as the Best Employer in the Netherlands. Furthermore, Fortis made a massive jump from the number 17 spot to number 9 in Intermediair's Image Survey. Fortis Bank has a number of trainee programmes, one of which is the Merchant & Private Banking Associate Programme. In its annual competition, this program was selected by the Spits newspaper as the Financial Traineeship of 2007.

Other important developments during 2007

As from the end of 2006, Fortis Nederland centralised all its group-wide Recruitment activities, which has had the advantage of eliminating talent fragmentation. From its high-level coordinating position, the Recruitment department can place talented people where they are best suited. Furthermore, in 2007 a Uniform Pension Summary was provided for the first time, and this has greatly increased the transparency of information concerning pension arrangements. Our staff are provided not only with a more understandable and transparent overview of their accumulated entitlement, but also with insight into the possible amount of their future pension. Following Fortis Bank Nederland's 2006 introduction of the new Fortis Reward model, this same model was converted into a digital e-Performance system in 2007. This has the advantage of timely notification of due dates for performance assessment and personal development discussions.

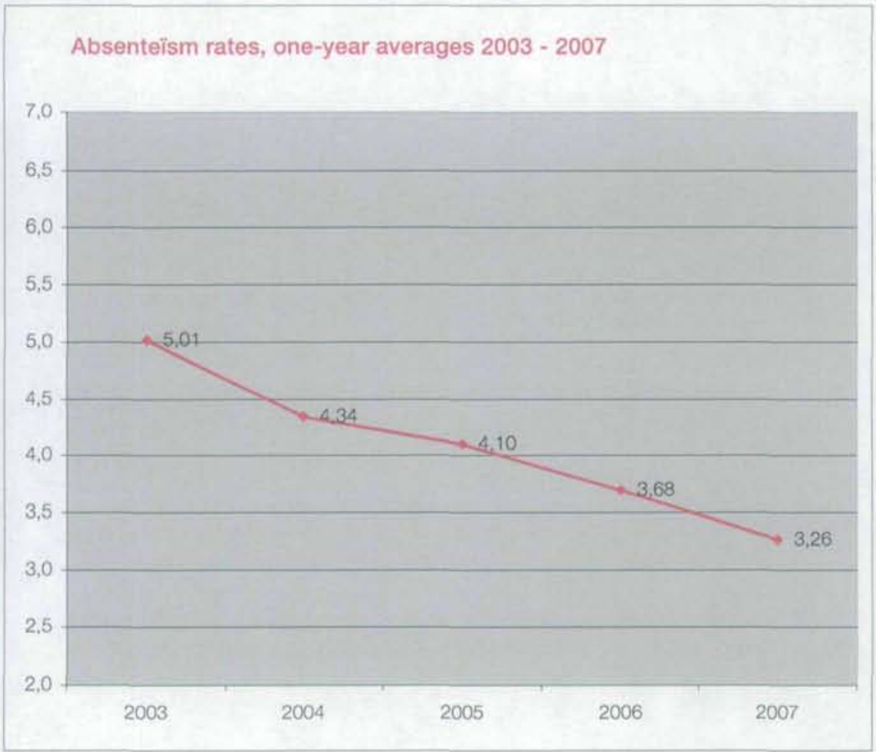
FTE's Fortis Bank Nederland

	2007	2006	2005
Retail Banking	2,344	2,439	2,331
Merchant & Private Banking	5,146	5,026	4,621
Other Banking	2,513	2,484	2,507
FTE's Total	**10,003**	**9,949**	**9,459**

Focus for 2008

In conclusion, also Human Resources cannot ignore the Fortis Bank issue of 2007: the acquisition of ABN AMRO. Since the end of April 2007 a great number of people from Human Resources have been closely involved in this acquisition, and much has been done in terms, for instance, of achieving substantive agreements between all parties regarding the balanced handling of the interests of staff in both organisations. To this end, a covenant has been drawn up with the Works Council and the trade unions. Fortis Bank Nederland's collective labour agreement expired at the end of 2007. So as not to hinder the harmonisation of conditions of employment with ABN AMRO, we worked towards a collective labour agreement for one year, and the new agreement will run from 1 January 2008 to 31 December 2008.

Trends in absenteïsm rates



Fortis Bank Nederland's absenteïsm rate for 2007 was 3.26%, a fall of more than 10% from the year before. For the third time in a row, Fortis Bank Nederland was named 'the Healthiest Bank in the Netherlands'.

Outlook

Fortis Bank Nederland performed very well in 2007. Through tight cost control, dedication to meeting customer needs, improving employee satisfaction and conservative risk management, we were able to take advantage of the opportunities which arose in the market segments we operate in.

Fortis Bank Nederland expects that the markets remain challenging for the foreseeable future and as a result we will intensify our efforts to control costs, improve efficiency and focus on risk management.

The integration of the selected ABN AMRO businesses is another important objective for Fortis Bank Nederland in 2008.

The success of Fortis and Fortis Bank Nederland in the past and the acquisition of the selected ABN AMRO businesses has given us confidence to reconfirm and accelerate our strategy of growing Fortis as a leading European financial services provider with a focus on quality.

Amsterdam, 3 April 2008

Executive Board

J.C.M. van Rutte, Chairman

H.P.F.E. Bos

F.J. van Lanschot

Hermitage (Amsterdam)
Fortis is lead sponsor of the Hermitage

To: the Executive Board of Fortis Bank Nederland (Holding) N.V.

Auditor's statement

Introduction

We have audited whether the accompanying Annual Review of Fortis Bank Nederland (Holding) N.V., Amsterdam, for the year 2007 has been derived consistently from the audited financial statements of Fortis Bank Nederland (Holding) N.V., for the year 2007. In our auditors' report dated 3 April 2008 we expressed an unqualified opinion on these financial statements. Management is responsible for the preparation of the Annual Review in accordance with the accounting policies as applied in the 2007 financial statements of Fortis Bank Nederland (Holding) N.V. Our responsibility is to express an opinion on the Annual Review 2007.

Scope

We conducted our audit in accordance with Dutch law. This law requires that we plan and perform the audit to obtain reasonable assurance that the Annual Review has been derived consistently from 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 Annual Review has been derived consistently, in all material respects, from the financial statements.

Emphasis of matter

For a better understanding of the company's financial position and results and the scope of our audit, we emphasize that the Annual Review 2007 should be read in conjunction with the unabridged financial statements, from which the Annual Review was derived and our unqualified auditors' report thereon dated 3 April 2008. Our opinion is not qualified in respect of this matter.

Amstelveen, 3 April 2008

KPMG Accountants N.V.

J.J.A. van Nek RA

The annual report of FBN(H) constitutes of two separate documents, the Annual Review 2007 and the Financial Statements 2007. The Financial Statements consist of the consolidated and the company financial statements of Fortis Bank Nederland (Holding) N.V.. The Financial Statements are duly signed by the members of the Executive 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 auditors' statement is given op page 41 and their auditors' report is included in the financial statements as 'other information'.

Getting you there

Fortis knows all about getting you there. Because prosperity also means growing, managing and safeguarding your assets.

Fortis Bank Nederland (Holding) N.V.
Amsterdam

Va:
chimedeslaan 6
84 BA Utrecht
e Netherlands

w.fortisbank.nl

Financial Statements 2007
Fortis Bank Nederland (Holding) N.V.

Contents

Introduction

The Fortis Bank Nederland (Holding) N.V. Financial Statements 2007 comprise the audited Fortis Bank Nederland (Holding) N.V. Consolidated Financial Statements 2007 as well as the audited financial statements of Fortis Bank Nederland (Holding) N.V., with comparative figures for 2006 and 2005, prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The Fortis Bank Nederland (Holding) N.V. Financial Statements 2007, together with the Annual Review 2007, constitute the Fortis Bank Nederland (Holding) N.V. Annual Report 2007.

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

Fortis Bank Nederland (Holding) N.V.
Consolidated Financial Statements 2007

Consolidated balance sheet

(before appropriation of profit)

	Note	31 December 2007	31 December 2006	31 December 2005
Assets				
Cash and cash equivalents	13	39,269	22,075	13,508
Assets held for trading	14	23,117	23,393	17,004
Due from banks	15	38,768	27,071	17,263
Due from customers	16	130,971	124,038	108,775
Investments:	17			
- Held to maturity		35	33	
- Available for sale		3,201	3,795	6,741
- Held at fair value through profit or loss		123	179	153
- Investment property		79	3	4
- Associates and joint ventures		25,733	906	820
		29,171	4,916	7,718
Other receivables	19	3,435	2,920	2,641
Property and equipment	20	368	385	319
Goodwill and other intangible assets	21	224	228	139
Accrued interest and other assets	22	7,055	4,723	3,504
Total assets		**272,378**	**209,749**	**170,871**
Liabilities				
Liabilities held for trading	14	52,466	32,961	21,192
Due to banks	23	71,311	70,144	58,600
Due to customers	24	69,990	63,856	51,618
Debt certificates	25	32,796	25,344	19,262
Subordinated liabilities	26	11,652	2,402	2,201
Other borrowings	27	1,371	903	4,335
Provisions	28	79	91	132
Current tax liabilities	29	730	518	234
Deferred tax liabilities	29	52	47	16
Accrued interest and other liabilities	30	9,513	7,386	7,493
Total liabilities		**249,960**	**203,652**	**165,083**
Issued capital and reserves	3	21,763	5,910	5,613
Minority interests	4	655	187	175
Total equity		**22,418**	**6,097**	**5,788**
Total liabilities and equity		**272,378**	**209,749**	**170,871**

Consolidated income statement

	Note	2007	2006	2005
Income				
Interest income	33	19,169	13,532	8,893
Interest expense	33	(17,634)	(12,075)	(7,283)
Net interest income		1,535	1,457	1,610
Fee and commission income	38	1,168	957	852
Fee and commission expense	38	(242)	(111)	(104)
Net fee and commission income		926	846	748
Dividend and other investment income	34	37	20	48
Share in result of associates and joint ventures	35	190	10	32
Realised capital gains (losses) on investments	36	126	97	161
Other realised and unrealised gains and losses	37	587	884	487
Other income	39	225	159	67
Total income		**3,626**	**3,473**	**3,153**
Change in impairments	40	(41)	(70)	(62)
Net revenues		3,585	3,403	3,091
Expenses				
Staff expenses	42	(955)	(848)	(923)
Other expenses	43	(910)	(843)	(664)
Depreciation and amortisation of tangible and intangible assets	41	(60)	(63)	(58)
Total expenses		**(1,925)**	**(1,754)**	**(1,645)**
Profit before taxation		1,660	1,649	1,446
Income tax expense	44	(346)	(472)	(377)
Net profit for the period		**1,314**	**1,177**	**1,069**
Net profit before minority interest		**1,314**	**1,177**	**1,069**
Net profit attributable to minority interests		18	20	20
Net profit attributable to shareholders		**1,296**	**1,157**	**1,049**

Consolidated statement of changes in equity

	Issued capital	Issued capital Premium reserve	Other reserves	Currency translation reserve	Net profit attributable to shareholders	Unrealised gains and losses	Issued capital and reserve	Minority interests	Total equity
Balance as at 31 December 2005	497	2.194	1.674	(2)	1.049	201	5.613	175	5.788
Net profit for the period					1.157		1.157	20	1.177
Revaluation of investments						(84)			(84)
Currency translation reserve				(4)			(4)		(4)
Transfer			1.049		(1.049)				
Dividend			(770)				(770)	(9)	(779)
Increase of capital									
Treasury shares									
Available for sale							(84)		
Other changes in equity			(2)				(2)	1	(1)
Balance as at 31 December 2006	497	2.194	1.951	(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)
Currency translation reserve				(17)			(17)		(17)
Transfer			1.157		(1.157)				
Dividend			(76)				(76)		(76)
Increase of capital	146	14.674					14.820		14.820
Treasury shares									
Available for sale									
Other changes in equity			(119)				(119)	450	331
Balance as at 31 December 2007	643	16.868	2.913	(23)	1.296	66	21.763	655	22.418

changes in equity are described in greater detail in note 3 and 4

Consolidated cash flow statement

	2007	2006	2006
Profit before taxation	**1.660**	**1.649**	**1.446**
Adjustments on non-cash items included in profit before taxation:			
(Un)realised gains (losses)	(191)	(171)	(194)
Income of associates and joint ventures (net of dividends received)	(185)	(8)	(27)
Depreciation, amortisation and accretion	77	148	71
Provisions and impairments	24	33	63
Changes in operating assets and liabilities:			
Assets and liabilities held for trading	20.501	5.704	288
Due from banks	(12.004)	(10.104)	4.701
Due from customers	(6.993)	(15.332)	(11.073)
Reinsurance and other receivables	(445)	(310)	(1.268)
Investments related to unit-linked contracts			
Due to banks	1.277	11.576	(10.864)
Due to customers	6.674	12.483	3.891
Net changes in all other operational assets and liabilities	215	(1.410)	4.480
Dividend received from associates			
Income tax paid	(155)	23	(57)
Cash flow from operating activities	**10.455**	**4.281**	**(8.543)**
Investments activities within the group	(241)	(9)	(645)
Purchases of investments	(2.079)	(187)	(1.653)
Proceeds from sales and redemptions of investments	2.395	2.847	2.571
Purchases of investment property	(65)		
Investments in associates and joint ventures	(1.283)	(184)	(59)
Proceeds from sales of associates and joint ventures	392	1	57
Purchases of property and equipment	(97)	(79)	(61)
Proceeds from sales of property and equipment	106	1	20
Acquisition of subsidiaries, net of cash acquired	(23.782)		(71)
Divestments of subsidiaries net of cash sold	(9)		2
Purchase of intangible assets	(28)	(95)	(23)
Proceeds from sales of intangible assets	17		
Change in scope of consolidation	(5)	47	
Cash flow from investing activities	**(24.679)**	**2.342**	**138**
Proceeds from the issuance of debt certificates	13.176	8.260	3.034
Payment of debt certificates	(5.726)	(2.184)	(1.737)
Proceeds from the issuance of subordinated liabilities	9.510	706	556
Payment of subordinated liabilities	(384)	(509)	(179)
Proceeds from the issuance of other borrowings	892	394	242
Payment of other borrowings	(415)	(3.911)	(782)
Proceeds from the issuance of shares	14.810		595
Dividends paid to shareholders of the parent company (including minoriy interest)	(76)	(779)	(3)
Dividends paid to minority interests			
Repayment of capital (including minority interests)			
Cash flow from financing activities	**31.787**	**1.977**	**1.726**
Effect of exchange rate differences on cash and cash equivalents	(369)	(33)	141
Net increase (decrease) of cash and cash equivalents	**17.194**	**8.567**	**(6.538)**
Cash and cash equivalents – as at 1 January	**22.075**	**13.508**	**20.046**
Cash and cash equivalents – as at 31 December	**39.269**	**22.075**	**13.508**
Supplementary disclosure of operating cash flow information			
Interest received	19.102	13.028	8.656
Dividend received from investments	29	19	40
Interest paid	(17.358)	(11.295)	(6.773)

Fortis Bank Nederland (Holding) N.V.
General Notes

1. Accounting policies

1.1 General

The Fortis Bank Nederland (Holding) N.V., hereafter referred to as Fortis Bank Nederland, Consolidated Financial Statements, including the 2006 and 2005 comparative figures, are prepared in accordance with IFRSs – including International Accounting Standards ('IAS') and Interpretations – at 31 December 2007 and as adopted by the European Union and with part 9 of book 2 of the Netherlands 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.

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 Changes in accounting policies

The accounting policies used to prepare these 2007 Consolidated Annual Financial Statements are consistent with those applied for the year ended 31 December 2006.

On 1 June 2007 the European Union endorsed the two following IFRICs:

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

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. Fortis Bank Nederland is evaluating the effect of this Standard for implementation in 2009.

1.4 Segment reporting

Primary reporting format – business segments

On 12 October 2006 Fortis announced organisational changes to support the evolution of its growth strategy. This organisation is operational since 1 January 2007.

Joint ventures
Investments in joint ventures are accounted for using the equity method. Joint ventures are contractual agreements whereby Fortis Bank Nederland 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 has significant influence, but which it does not control. The investment is recorded at Fortis Bank Nederland'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's share in the investment's post-acquisition direct equity movements are recognised in equity. Gains on transactions between Fortis Bank Nederland and investments accounted for using the equity method are eliminated to the extent of Fortis Bank Nederland'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.

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 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 the Fortis Bank Nederland.

Foreign currency transactions
For individual entities of Fortis Bank Nederland, 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 (euros), at average daily exchange rates for the current year (or exceptionally at the exchange rate at the date of the transaction if exchange rates fluctuate significantly) 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.

			Rates at year end			*Average rates*
	2007	2006	2005	2007	2006	2005
1 EURO =						
Pound sterling	0.73	0.67	0.69	0.68	0.68	0.68
US dollar	1.47	1.32	1.18	1.37	1.26	1.24

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 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 classifies financial assets and liabilities based on the business purpose of entering into these transactions.

Financial assets

Consequently, financial assets are classified as 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 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 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.

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 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.

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 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'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 reviews all of its assets at each reporting date for objective evidence of impairment.

The carrying amount of impaired assets is reduced to 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.

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

See 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.

1.12 Cash and cash equivalents

Content

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

Cash flow statement

Fortis Bank Nederland 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 are 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 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.

Impairment
A credit risk for specific loan impairment is established if there is objective evidence that Fortis Bank Nederland 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.

1.14 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 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 impairment 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 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 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 lives.

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 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 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 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 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 are included in the finance lease receivable and allocated against lease interest income over the lease term.

Fortis Bank Nederland as a lessee

Fortis Bank Nederland 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 incident 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 arising from the normal course of business and originated by Fortis Bank Nederland 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 lives. 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 lives, 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 lives, 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 does not have intangible assets with indefinite useful lives.

Intangible assets with definite lives 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'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 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 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 may obtain control of a subsidiary in more than one transaction. When this occurs, each exchange transaction is treated separately by Fortis Bank Nederland. 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 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 investee'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 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 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 lives

Other intangible assets include intangible assets with definite lives, such as trademarks and licenses that are generally amortised over their useful lives using the straight-line method. Intangible assets with finite lives 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 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 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 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 transaction, Fortis Bank Nederland 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 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 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 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 1.6 Foreign currency.

1.23 Securitisations

Fortis Bank Nederland securitises various consumer and commercial financial assets. These securitisations may take the form of a sale of the related assets or a credit risk transfer through the use of funded credit derivatives to special purpose entities. These special purpose entities then issue various security tranches to investors. The financial assets included in a securitisation are fully or partially derecognised when Fortis Bank Nederland transfers substantially all risks and rewards of the assets or portions thereof or when Fortis Bank Nederland neither transfers nor retains substantially all risks and rewards but does not retain control over the financial assets transferred.

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' own 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 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 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 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 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 lives of employees. The pension liability is measured at the present value of the estimated future cash outflows using interest rates determined by reference to market yields on high quality corporate bonds that have terms to maturity approximating the terms of the related liability. Net cumulative 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 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's contributions to defined contribution pension plans are charged to the income statement in the year to which they relate.

Other post-retirement liabilities

Some of the Fortis Bank Nederland 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 are 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. 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 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, 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 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 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 to pay bills of exchange drawn on customers. Fortis Bank Nederland 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 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.

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 1.5)
- foreign currency (see 1.6)
- available-for-sale investments (see 1.16)
- cash flow hedges (see 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 disposals

The following acquisitions and disposals were made in 2007, 2006 and 2005. Details of the acquisition of ABN AMRO are disclosed in note 18.

2.1 Acquisitions

The major acquisitions that took place in 2007, 2006 and 2005 are:

Acquired company	Quarter of acquisition	Acquisition amount	Percentage acquired	Capitalised intangible assets	Goodwill/ (negative goodwill)	Segment
Italia Finance and Trading	Q1 2005	7	100		(5)	Merchant & Private Banking
Fortis Commercial Finance Luxembourg	Q2 2005	17	100		9	Merchant & Private Banking
Atradius Factoring activities	Q4 2005	64	100		36	Merchant & Private Banking
Fortis Prime Fund Solution (BVI) Ltd	Q1 2006	8	100		7	Merchant & Private Banking
Fortis Intertrust Management Pte Ltd	Q1 2007	9	100		8	Merchant & Private Banking
Fortis Bank CI	Q2 2007	211	100		(20)	Merchant & Private Banking
FCF Turkey	Q3 2007	17	100		8	Merchant & Private Banking

2.2 Assets and liabilities of acquisitions and disposals

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.

	2007		2006		2005	
	Acquisitions	Divestments	Acquisitions	Divestments	Acquisitions	Divestments
Assets and liabilities of acquisitions and divestments						
Cash and cash equivalents	1	(34)	4		1	(14)
Due from banks			1	(2)	500	
Due from customers			40		44	
Investments	23,777				99	
Other receivables				(27)	294	
Property and equipment			14		1	
Goodwill and other intangible assets		(14)	7		36	
Accrued interest and other assets		(21)	2	(1)	8	
Due to banks		(25)	39		199	
Due to customers			2		39	
Current and deferred tax liabilities		(1)			4	
Accrued interest and other liabilities	1	(13)	18	(27)	63	
Minority interests		1				12
Net assets acquired / Net assets divested	**23,777**	**(31)**	**9**	**(3)**	**676**	**(26)**
Negative goodwill	6	6			5	
Gain (loss) on disposal gross				4		5
Cash used for acquisitions / received from divestments:						
Total purchase consideration / Proceeds from sale	(23,783)	25	(9)	(1)	(684)	31
Less: Cash and cash equivalents acquired / divested	1	(34)	4		1	(14)
Less: Non-cash consideration			5		14	
Cash used for acquisitions / received for divestments	**(23,782)**	**(9)**			**(667)**	**17**

3. Issued capital and reserve

3.1 Unrealised gains and losses included in issued capital and reserve

The following table shows the composition of Issued capital and reserves as at 31 December 2007.

Issued capital	643
Issued capital premium reserve	16,868
Other reserves	2,913
Currency translation reserve	(23)
Net profit attributable to shareholders	1,296
Unrealised gains and losses	66
Issued capital and reserves	**21,763**

Authorised issued capital amounts to EUR 1.176.856.500 distributed over 1.853.711 ordinary shares and 500.002 non-cumulative preference shares, each share having a nominal value of EUR 500.00.

Issued and paid-up capital amounts to EUR 567,9 million ordinary shares and EUR 172.6 million preference shares distributed over 1.135.783 ordinary shares, 345.163 non-cumulative preference shares and
1 cumulative preference class-E share (7.7%), each with a nominal value of EUR 500.00. The non-cumulative preference shares comprise 150.000 class A shares (5, 85%), 240,048 new class-B shares (without a predefined payout ratio) and 195,161 class-C shares (5.5%). The preference class-C shares are, in compliance with EU-IFRS financial statements reported as subordinated liabilities. The share premium on the preference class A and B shares are registered on separated accounts and are allocated to the class of shares.

In 2007 the most important changes in issued capital an issued capital premium reserve relates to the acquisition of ABN-AMRO.

- Fortis Bank Nederland has issued 2 new shares to Fortis N.V./SA at a total amount of EUR 14.6 billion: an issue of 2 ordinary shares of EUR 500 each and a separate connected share premium reserve of EUR 14.6 billion. Main part of this was financed by Fortis via the fully underwritten Rights Issue of 896,181,684 new shares at a total amount of EUR 13.2 billion to finance the acquisition of ABN-AMRO (see note 18) placed on 25 September 2007.
- Fortis Bank Nederland has issued on 21 December 2007 preference shares of Fortis Bank Nederland (Holding) N.V. These preference shares, which were issued as an alternative instrument, were offered to the former holders of non-listed preference shares of ABN AMRO Holding N.V. A total of EUR 210 million was issued: 150,000 new preference shares of EUR 500 each and a separate connected share premium reserve of EUR 135 million. The preference shares entitle the holder to an annual coupon of 5.85%. The proceeds of the issue will be used to finance the acquisition of certain parts of ABN AMRO and to increase the shareholders' equity of Fortis Bank Nederland.

Next to this in 2007 as a result of a change in the Articles of Association EUR 52 million was transferred from the Issued capital premium reserve to the Issued capital.

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 26).

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) Consolidated Financial Statements.

Fortis Bank Nederland hedges net investments in foreign operations. The net investment in a foreign operation is Fortis Bank Nederland'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	Total
31 December 2007			
Gross unrealised gains and losses	114	(23)	91
Related tax	(25)		(25)
Total	89	(23)	66
31 December 2006			
Gross unrealised gains and losses	152		152
Related tax	(35)		(35)
Total	117		117
31 December 2005			
Gross unrealised gains and losses	278		278
Related tax	(77)		(77)
Total	201		201

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

Proposed dividend for 2007

The Board of Directors will propose to the Annual General Meetings of Shareholders on 18 April 2008 a cash dividend of EUR 400 million which will be payable on 24 April 2008.

4. Minority interests

The following table provides information about the most significant minority interests in the Fortis Bank Nederland entities.

	% of minority interest	Amount at 31 December 2007	Amount at 31 December 2006	Amount at 31 December 2005
Group company				
Leyden Bay B.V.	50.0%	455		
Moeara Enim	30.3%	136	140	146
Fortis Intertrust	25.0%	34	17	15
Fortis de Hondsrug B.V.	25.0%	6	4	2
Fortis Holding (Curaçao) N.V.	25.0%	8	8	6
FMM Investments N.V.	25.0%	12	3	
Fortis Bank (C.I.) Limited	25.0%		10	6
Other	25.0%	4	5	
Total		**655**	**187**	**175**

In the table above the minority interests of 25.0 % of Fortis Intertrust is held by Fortis Bank Luxembourg, a group company of Fortis.

5. Risk management

5.1 Introduction

Sound risk management is one of the key pillars of support for a strategy of sustainable profitable growth and therefore a core competency at Fortis. Fortis relies upon a strong risk management framework for several reasons: to ensure that it maintains consistently 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 group-wide economic capital. The risk management framework resides at all levels within the group.

Fortis executes its risk strategy and undertakes controlled risk-taking activities within its risk management framework. This framework combines core policies and methods and process design with broad oversight and is supported by risk performance monitoring at group and local business level. Fortis continuously reviews and upgrades its risk management framework in order to align its long-term strategy in the field with lessons learned through its own and general best practices. The following figure shows the Fortis risk governance framework, of which Fortis Bank Nederland's risk governance framework is an integrated part.

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's risk exposure.

5.2 Philosophy, strategy and principles of sound risk management

5.2.1 Risk Management Philosophy

Fortis defines risk as the deviation from anticipated outcomes that may affect the value, capital or earnings of Fortis. Fortis' risk thus stems from its exposure to external or internal risk factors in conducting its business activities. Risk taking is an integral part of Fortis' value proposition to its shareholders. Fortis aims to take risks of which it has a good understanding and which can be adequately managed either at individual or at overall portfolio level. Fortis actively seeks exposure to these risks if it is efficient and affordable to do so. Risks that are not actively sought but rather arise as a consequence of conducting business are reduced to acceptable levels.

Fortis aims to meet its shareholders and stakeholders expectations and to take and manage risks in a controlled and transparent manner.

5.2.2 Risk Management Principles

At Fortis, risk management is based on the four guiding principles resulting from the risk governance framework:

- *Optimising risk/return in a controlled manner at high standards:* Fortis is a professional risk taker; assuming risk (both actively and passively) is intrinsic to how Fortis creates value for its shareholders. To ensure Fortis delivers superior shareholder value creation, its risk taking is both controlled and directed towards businesses that provide shareholders with attractive risk-adjusted returns.
- *Clearly established responsibility and accountability:* Fortis operates according to the principle of delegated authority. Individuals or business units are fully responsible for their decisions and their incentives are aligned with Fortis' business objectives
- *Independent and properly resourced risk management functions:* Risk-taking activities require the independent supervision of the risk management function. Well-resourced independent risk management, which is clearly separate from any business decisions, is essential in order to avoid conflicts of interest, to ensure proper risk governance and, consequently, to enforce the Group Risk Policy.
- *Open risk culture to promote trust and confidence:* Risk transparency and responsiveness to change are integral to Fortis' business culture. Fortis has institutionalised processes to facilitate risk management knowledge sharing within the group and with external stakeholders.

5.2.3 Risk Strategy

Fortis' risk strategy sets out how, what type of risks and to what extent risks are taken in order to achieve Fortis' business objectives. It also sets out to what extent undesired risks should be mitigated and avoided. Hence, Fortis' 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' corporate strategy, is aligned with Fortis' strategic objectives, and leads to Fortis' planning and capital management processes.

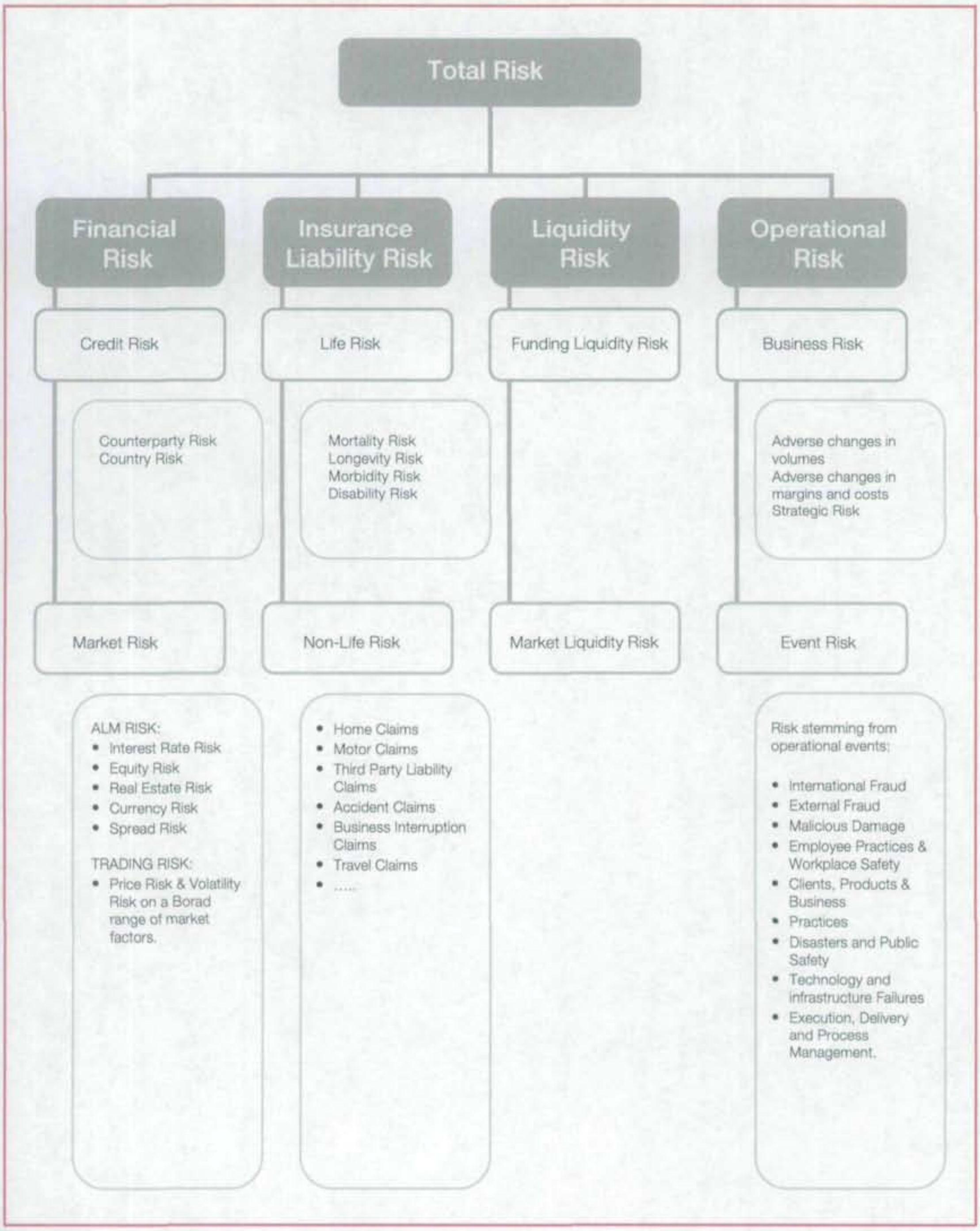
Fortis' attitude towards risk reflects its desire or willingness to actively take certain risks (and to what extent) and to avoid or mitigate others. Fortis has classified each type of risk to which it is exposed into the following categories:

Core risks: those risks to which Fortis actively seeks exposure when it is efficient for the group to do so and where exposure can be contained and managed either at individual or at overall portfolio level. Fortis 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 (ALM risk and trading risk), insurance risk and liquidity risk. Insurance risk can be further broken down into property & casualty risk and life & health risk. Liquidity risk can be further split into funding risk and market liquidity risk.

Non-core risks: 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 manages its operational risks and protects its reputation by ensuring that its business practices conform to the highest standards of integrity as specified in its Code of Conduct.

In addition to the strategic classification defined above, Fortis 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' current risk taxonomy is summarised in the following chart.



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

5.3 Risk management organisation

Fortis' Risk Management organisation is designed to enable the implementation of Fortis' risk strategy and to ensure:

- clear responsibility and accountability regarding risk management;
- independence of the risk management functions;
- transparent and coherent risk-related decision-making throughout Fortis Group, covering all risks of the Fortis risk taxonomy.

5.3.1 Risk management and monitoring

Risk management and monitoring are performed throughout Fortis Group by delegated authorities ranging from the local risk management organisation in geographical areas, to the business risk management, and to Central Risk Management in close cooperation with Asset & Liability Management.

5.3.1.1 Central Risk Management (CRM)

The Central Risk Management (CRM) department is headed by the Chief Risk Officer. Its primary role is to ensure that the group pursues consistently 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, to measure group-wide economic capital and to validate risk models.

CRM provides support to the businesses regarding risk issues and supports the work of the various risk committees. It also coordinates the implementation of risk initiatives and risk communication.

The presence of an integrated risk management framework across the Banking and Insurance activities is perceived as one of Fortis' strengths by internal parties (Fortis Audit Services, Investor Relations) and external parties (rating agencies, investment analysts and regulators). CRM is also responsible for coordinating communication with these parties.

5.3.1.2 Asset & Liability Management (ALM)

Asset & Liability Management (ALM) is charged with closely monitoring all ALM risks related to the balance sheet of Fortis Group and its Banking and Insurance entities. ALM performs its duties in accordance with the decisions made by the Group ALCO (Asset and Liability Committee) and with due observance of the conditions set by Fortis Bank, Fortis Insurance and the Supervisors. ALM defines Fortis' risk appetite and manages its risks by setting up risk guidelines and risk levels. It aims to apply the best practices in risk management that have been defined by the regulators and rating agencies.

5.3.1.3 Businesses Risk Management

Each business:

- is responsible for managing its inherent risks within the limits, policies and guidelines set by regulators and Central Risk Management;
- has a Business Risk Committee, which supports its management team in ensuring that key risks are well understood and that appropriate risk management procedures are in place;
- is responsible for managing its inherent risks and ensuring that it has comprehensive risk management systems in place which cover the full risk taxonomy.

The double reporting lines between the Business Chief Risk Officer (and the Business Chief Executive Officer) and the Group Chief Risk Officer are designed to reinforce the principles of full transparency on risk-related information (risk quantification, profitability, reserves, limits, capital, methodologies, assumptions, risk management organisation, etc.) between the businesses and CRM, compliance with group policies, guidelines and limits, and independence of the risk function in the risk decision and monitoring process.

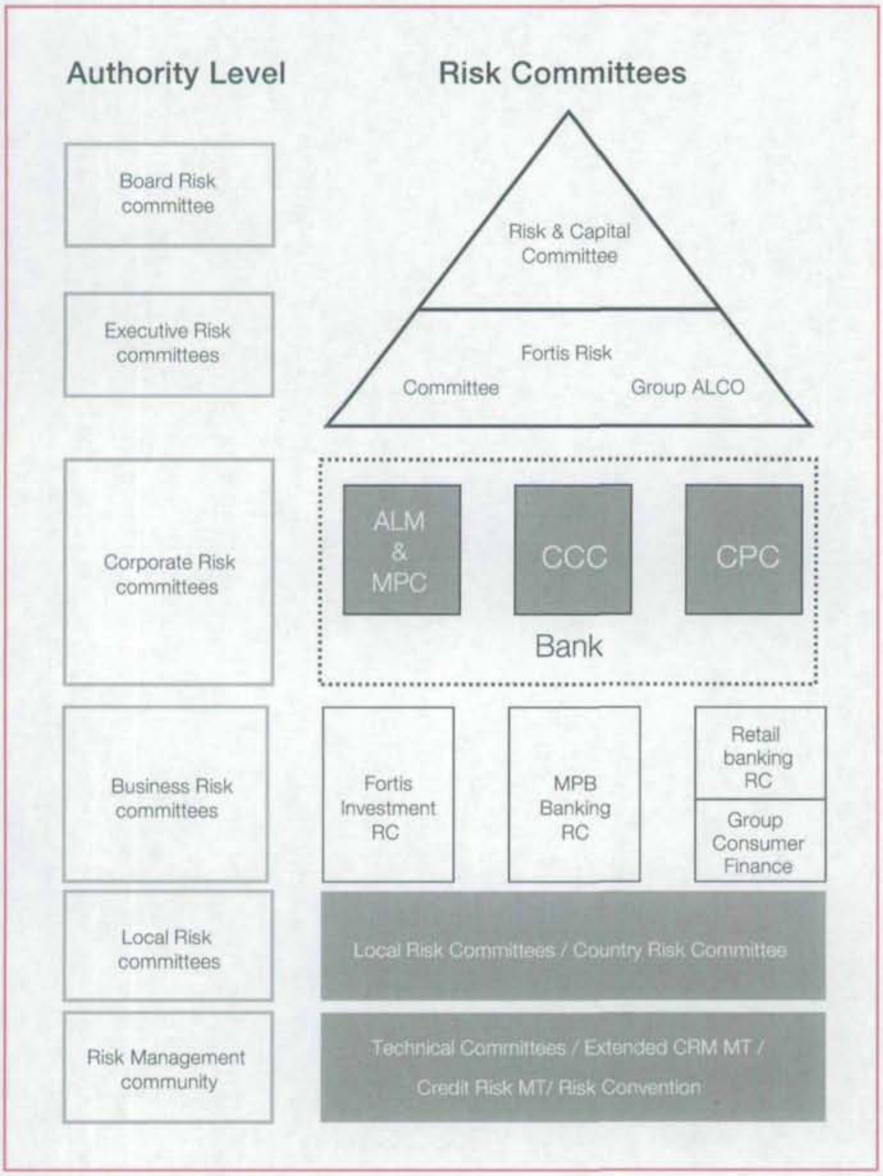
5.3.1.4 Fortis Audit Services (FAS)

Fortis Audit Services supports the achievement of Fortis' objectives by providing professional and independent assurance. FAS is evaluating the effectiveness of governance, risk and control processes and recommends solutions for optimising them.

Fortis Audit Services regularly audits the risk management functions of Fortis at group, business and local levels.

5.3.2 Fortis Risk Committee Structure

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



The overall responsibility for the risks taken by Fortis rests with the Fortis Board. In order to fulfil its risk mission, the Fortis Board has the support of both the Fortis Risk and Capital Committee and the Fortis Audit Committee (AC). The Fortis Board has delegated the day-to-day management to the Executive Committee (ExCo) under the leadership of the Chief Executive Officer (CEO).

5.3.2.1 Board Risk Committees

Risk and Capital Committee (RCC)

Composed of non-executive Board members, the RCC meets at least three times a year and assists the Board in understanding the risks run by Fortis that are typically inherent to Banking and Insurance activities, overseeing the proper management of these risks, and ensuring the adequacy of Fortis' capital relative to these risks and to those inherent to its overall operations.

The main responsibilities of the RCC are to approve the risk governance framework and to make recommendations to the Board on the target risk profile and the related relevant policies.

Fortis Audit Committee (AC)

Not being a risk committee, the role of the AC is to assist the Board in fulfilling its supervision and monitoring responsibilities in respect of internal control in the broadest sense within Fortis, including internal control over financial reporting.

At least once a year the AC, on behalf of the Board of Directors, reviews the quality and effectiveness of procedures and structures under which risks at Fortis are managed, risk-related accounting policies, capital assessment procedures and the performance of the internal control system.

As of 16 January 2008 Fortis Bank Nederland has established an Audit Committee.

5.3.2.2 Fortis Executive Risk Committees

The CEO reports to the Fortis Board on Fortis' risk profile and capital adequacy and presents proposals to the Fortis Board on risk policies and rules and on financing Fortis Group transactions. The ExCo is supported in its tasks by the Executive Risk Committees.

Fortis Risk Committee (FRC)

The Fortis Risk Committee, chaired by the Fortis Chief Risk Officer, supports the CEO and the Executive Committee in ensuring that the Group has an adequate understanding of its key risks and that it has a sound risk management in place. A key role of the Fortis Risk Committee is to guarantee the consistency of risk management approaches across the Group (Bank and Insurance) and to make sure that risk-related topics at group level have been taken into account.

Group Asset and Liability Committee (Group ALCO)

The Group ALCO approves the group strategic asset allocation and monitors overall Group-ALM exposure. Its responsibilities are asset and liability management, monitoring and control.

5.3.2.3 Corporate Risk Committees

The Fortis Board is supported in its tasks by the following Corporate Risk Committees:

- *The Central Asset & Liability Management and Market Policy Committee* (ALM & MPC) defines the bank's balance sheet management policies and limits, monitors the balance sheet structure, approves ALM risk management structures, agrees on significant transactions affecting the balance sheet and signs off on new products launched by the business lines. These tasks also include monitoring of trading risk limits.
- *The Central Operational risk Policy Committee* (OPC) establishes norms, policies and measurement standards in relation to operational risk-linked exposure.
- *The Central Credit Policy Committee* (CPC) approves credit risk policies and processes, decides on concentration limits, signs off on new credit products and monitors credit portfolio quality and credit delegation limits.
- *The Central Credit Committee* (CCC) decides on individual obligor risks, including country and bank limits, and approves transactions above a certain level affecting the balance sheet, within the lending limit of the bank.
- *The Fortis Group Committee on Impairments and Provisions* (FGCIP) supervises worldwide Value Adjustments (VA) on a consolidated basis.
- *The Insurance Asset and Liability Committee* (Insurance ALCO) makes proposals to the Insurance Risk Committee, which steers the strategic asset allocation at Fortis Insurance level and monitors and manages the overall Insurance ALM risk exposure.

5.3.2.4 Technical Risk Committees & Platforms

The Technical Risk Committees & Platforms consist of the following:

- *The Capital Platform* acts as a discussion forum for group capital related topics. The main purpose of the Capital Platform is information and know-how-sharing on capital related matters as well as ensuring alignment on capital related topics.
- *The Model Acceptance Group* (MAG) takes decisions about technical/methodological issues, assessing regulatory compliance and consistency pertaining to credit risk assessment methodologies and model application.
- *The Operational ALCO Committee* is an implementation committee that takes the appropriate measures required to implement decisions taken by the Group ALCO.
- *The Liquidity & Funding Competence Centre* (LFCC) is responsible for:
  - steering and prioritisation of Fortis' liquidity;
  - the exchange of cross-sector (Banking-Insurance) knowledge of liquidity issues and advice on solutions for funding liquidity problems.

5.4 Financial Risks

Financial risk encompasses two types of risk: credit risk and market risk.

5.4.1 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.

5.4.1.1 Credit Risk Management

All credit risk management within Fortis Bank Nederland is governed by one policy, the Fortis Credit Policy. This policy contains a set of principles, rules, guidelines and procedures for identifying, measuring, approving and reporting credit risk within Fortis. The Fortis Credit Policy establishes a consistent framework for all credit risk-generating activities, either through direct lending relationships or through other activities resulting in credit risk such as investment activities or reinsurance claims. The policy is subdivided into four categories: principles and framework, cross-business policies, business-specific policies and instructions.

The principles and framework section comprises the core values and parameters that define Fortis' risk tolerance and characterise its credit culture. These are universal and unchanging, with the exception of the Credit Risk Strategy (embedded in the Credit Risk Charter), which is subject to change in response to market developments and business strategy. Cross-business policies, business-specific policies and instructions are dynamic, i.e. they are subject to amendment or review based on changing circumstances and accumulated experience.

Cross-business policies describe the framework according to which a specific product or credit activity must be organised across more than one business or within Fortis as a whole.

Business-specific policies provide specific guidance on all aspects of a specific product or credit activity restricted to one business. They are formulated and developed within the business to ensure applicability and ownership. Instructions give detailed information on processes related to credit activities.

5.4.1.2 The credit lifecycle

The basis for effective credit risk management is the identification of existing and potential credit risk inherent in any product or activity. This process includes the gathering of all relevant information concerning the products offered, the counterparties involved and all 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 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 applies to the acceptance of credit customers. These conditions reflect the general acceptable credit risk profile that Fortis Bank Nederland has defined. Fortis Bank Nederland operates in accordance with sound, well-defined credit-granting criteria in order to protect its reputation and ensure its sustainability. Fortis Bank Nederland 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 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, such as selling or realising receivables, collateral or guarantees.

5.4.1.3 Credit risk exposure

Fortis Bank Nederland'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.

	2007	2006
Cash and cash equivalents (see note 13)	39,269	22,075
Assets held for trading (see note 14)		
Debt securities	148	180
Derivative financial instruments	7,133	4,195
Total Assets held for trading	**7,281**	**4,375**
Due from banks (see note 15)		
Interest bearing deposits	3,037	4,345
Loans and advances	1,334	769
Securities borrowing transactions	32,942	21,129
Other	1,456	829
Total Due from banks	38,769	27,072
Impairments	(1)	(1)
Total net Due from banks	38,768	27,071
Due from customers (see note 16)		
Government and official institutions	1,782	1,576
Residential mortgages	63,873	60,682
Consumer loans	3,193	4,892
Commercial loans	40,310	32,444
Securities borrowing transactions	20,811	23,493
Other	1,397	1,413
Total Due from customers	131,366	124,500
Impairments	(395)	(462)
Total net Due from customers	**130,971**	**124,038**
Interest bearing investments (see note 19)		
Treasury bills		4
Government bonds	81	1,962
Corporate debt securities	2,948	1,607
Total Interest bearing investments	3,029	3,573
Impairments	(2)	
Total net Interest bearing investments	**3,027**	**3,573**
Other receivables (see note 19)	3,440	2,935
Impairments	(5)	(15)
Total net Other receivables	**3,435**	**2,920**
Total on balance credit risk exposure	223,154	184,530
Impairments	(403)	(478)
Total on balance net credit risk exposure	222,751	184,052
Off balance credit commitments exposure gross	53,589	57,491
Impairments (see note 45)	(6)	(11)
Off balance credit commitments exposure net	**53,583**	**57,480**
Total credit risk exposure gross	**276,743**	**242,021**
Impairments	(409)	(489)
Total net credit risk exposure net	**276,334**	**241,532**

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

	2007	2006
Available confirmed credit lines given		
- Credit commitments	1,001	349
- Loans to government and official institutions	604	394
- Residential mortgage	5,253	3,738
- Consumer loans	5,361	5,684
- Commercial loans	31,853	39,733
- Other loans	1,685	1,470
Total available confirmed credit lines given gross	**45,757**	**51,368**
Credit related commitments given		
Guarantees and letters of credit	2,830	2,638
Banker's acceptances	58	63
Documentary credits	4,944	3,422
Total other credit commitments gross	**7,832**	**6,123**
Total off-balance credit risk exposure gross	**53,589**	**57,491**

When excluding the impact of the Securities lending portfolio, Due from customers increased by EUR 9.5 billion (10%) during 2007. This increase was mainly supported by Merchant & Private Banking where the growth was principally stipulated by increase in commercial loans. Off-balance credit risk commitments is detailed in note 45

5.4.1.4 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 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.

	2007	2006
Due from customers	8,443	6,547
Total credit exposure subject to a legally enforceable right of set-off	**8,443**	**6,547**
Credit exposure reduced by virtue of a master netting arrangement	**1,745**	**1,109**

5.4.1.5 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's credit risk strategy of maintaining granular, liquid and diversified portfolios.

To avoid a casual credit risk concentration, Fortis Bank Nederland 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's credit risk management policy aims to spread the credit risk across different sectors and countries. The table below shows Fortis Bank Nederland's industry concentration of the customer credit portfolio as at 31 December.

	2007		2006	
	Carrying amount Due from customers	Total %	Carrying amount Due from customers	Total %
Industry sector				
Agriculture, forestry and fishing	956	0.73%	716	0.58%
Oil and gas	1,634	1.25%	1,086	0.88%
Basic Metals	1,213	0.93%	1,144	0.92%
Raw & intermediate materials	396	0.30%	347	0.28%
Consumer goods	2,021	1.54%	2,045	1.65%
Wood, pulp and paper products	227	0.17%	231	0.19%
Technology, media and telecom	417	0.32%	478	0.39%
Electricity, gas and water supply	1,879	1.43%	1,363	1.10%
Chemicals, rubber and plastic products	1,327	1.01%	1,103	0.89%
Construction and engineering	835	0.64%	744	0.60%
Machinery and equipment	1,631	1.25%	1,692	1.36%
Automotive	552	0.42%	364	0.29%
Transportation	81	0.06%	76	0.06%
Trade and commodity finance	3,887	2.97%	2,794	2.25%
Retail	819	0.63%	572	0.46%
Real Estate	6,790	5.18%	5,601	4.52%
Financial Services	30,219	23.07%	31,500	25.40%
Holdings & other services	4,777	3.65%	4,187	3.38%
Pubic & social services	5,019	3.83%	4,676	3.77%
Private persons	65,804	50.24%	63,338	51.06%
Non-classified	487	0.37%	(19)	-0.02%
Total Due from customers net	**130,971**	**100%**	**124,038**	**100%**
Impairments	(395)		(462)	
Total Due from customers gross	**131,366**		**124,500**	

Two relatively significant concentration of credit risk exposures are observed in the categories of *'Private persons'* and *'Financial intermediation* " with correspondingly 50.2% and 51.1% of total. The first category consists mainly of residential mortgage loans and to a lesser extent of consumer loans. As for the second category – *'Financial intermediation* ", – it consists mostly of financial institutions including holdings, investment and insurance companies but excludes banks. The decrease with respect to previous year is related to the securities lending portfolio.

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

	2007		2006	
	Credit risk exposure on-balance	Percentage	Credit risk exposure on-balance	Percentage
On-balance				
Benelux	204,379	91.6%	168,146	91.1%
Other European countries	13,721	6.1%	10,732	5.8%
Asia	3,719	1.7%	3,946	2.1%
Other	1,335	0.6%	1,706	1.0%
Total on-balance	**223,154**	**100.0%**	**184,530**	**100.0%**

The increase in the Benelux was the result of the residential mortgage loan portfolio, cash and cash equivalents and due from banks, while the rise in the Other European Countries was mainly the result of trading securities and cash and cash equivalents.

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

	2007		2006	
	Credit risk exposure on-balance	Percentage	Credit risk exposure on-balance	Percentage
On-balance				
Benelux	155,444	69.7%	129,840	70.4%
Other European countries	38,261	17.1%	29,978	16.2%
Asia	5,489	2.5%	4,004	2.2%
Other	23,960	10.7%	20,708	11.2%
Total on-balance	**223,154**	**100.0%**	**184,530**	**100.0%**

In the following table, Government and Official Institutions includes mandatory reserve deposits with central banks (EUR 1.5 billion). 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 2007						
On-balance						
Benelux	3,156	39,632	39,384	65,636	7,636	155,444
Other European countries	12	24,303	12,104	201	1,641	38,261
Asia	24	4,108	1,161	126	70	5,489
Other	148	6,912	14,207	41	2,652	23,960
Total on-balance	**3,340**	**74,955**	**66,856**	**66,004**	**11,999**	**223,154**
31 December 2006						
On balance						
Benelux	4,086	19,243	35,197	67,115	4,199	129,840
Other European countries	154	17,733	10,624	729	737	29,977
Asia	26	3,309	479	185	5	4,004
Other	109	5,485	14,252	557	306	20,709
Total on balance	**4,375**	**45,770**	**60,552**	**68,586**	**5,247**	**184,530**

5.4.1.6 Country Risk

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

In view of managing its exposure to country risk, Fortis has established a set of maximum country risk levels for all emerging countries according to the country ratings and Fortis' risk appetite. Exposures to individual emerging countries and cross-border exposure in aggregate are kept under continual 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.

5.4.1.7 Credit Risk rating

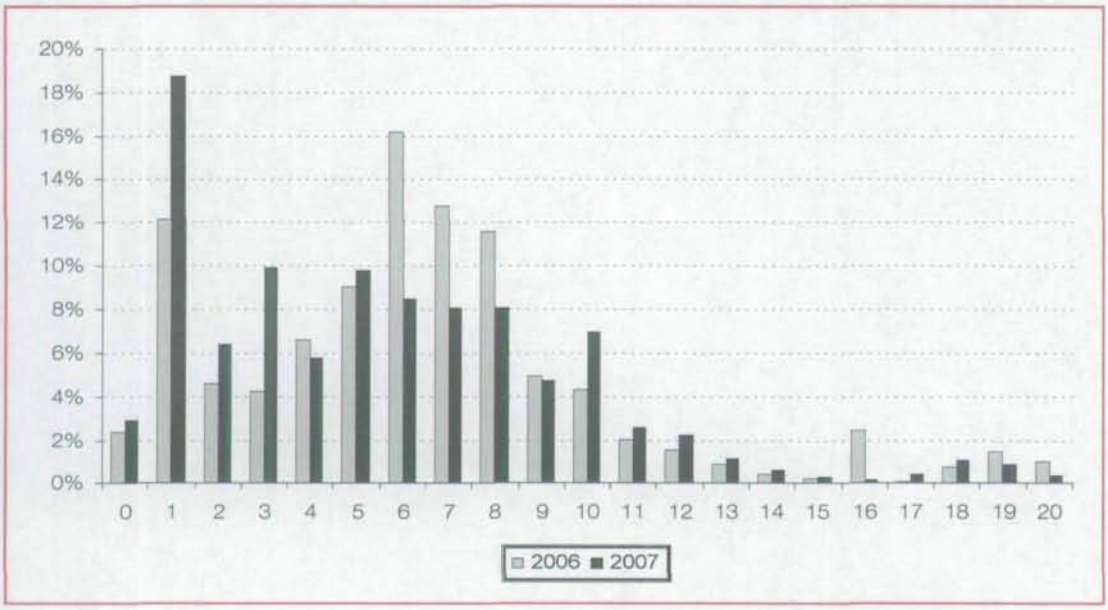
Credit Risk rating is a classification that results from the Risk Rating Assignment Process, which is based on a qualified assessment and formal evaluation. This classification is the result of:

- 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 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 Master Scale model.



The investment grade category (ratings 0 - 5) represents 54% of the loans and commitment portfolio in scope, the sub-investment grade category (ratings 6 - 17) stands for 44% of the loans while the impaired loans (ratings 18 – 20) amount to 2%.

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

	2007		2006	
	Carrying value	Percentage	Carrying value	Percentage
Investment grade				
AAA	28	0.9%	1,940	54.3%
AA	1	0.0%	508	14.2%
A	2,951	97.5%	1,112	31.1%
Investment grade	2,980	98.4%	3,560	99.6%
Unrated	49	1.6%	13	0.4%
Total investments in interest bearing securities gross	3,029	100.0%	3,573	100.0%
Impairments	(2)			
Total investments in interest bearing securities net	3,027		3,573	

5.4.1.8 Credit Risk mitigation

Risk mitigation is the technique of reducing the credit risk by hedging or by obtaining collateral. Hedging is any financial technique designed to reduce or eliminate the financial risk engendered by products and/or activities. Security (collateral) is any commitment made or privilege given by a counterparty or third party to which Fortis Bank Nederland can seek recourse in the event of the counterparty's default in order to reduce loan losses, or any other agreement or arrangement having a similar effect. The lending activity is never purely based on collateral or hedging. 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				
	Carrying amount	Financial instruments	Property, plant & equipment	Other collateral and guarantees	Collateral amounts in excess of credit exposure 1)	Unsecured exposure
2007						
Cash and cash equivalents	39,269	10,236		1,372	8,673	36,334
Interest bearing investments	3,029	1				3,028
Due from banks	38,768	32,238	42	163	8,684	15,009
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	982	81	13	508	2,536
Commercial loans	40,058	6,130	9,068	2,974	1,642	23,528
Securities borrowing	20,811	20,797	5			9
Other loans	1,383	3,486	(1,063)	367	1,880	473
Total due from customers	130,971	31,649	83,998	4,440	18,852	29,736
Other receivables	3,435	3		422		3,010
Total on balance	215,472	74,127	84,040	6,397	36,209	87,117
Total off balance	53,589	852	2,320	216	294	50,495
Total credit exposure	**269,061**	**74,979**	**86,360**	**6,613**	**36,503**	**137,612**

2006						
Cash and cash equivalents	22,075	10,070		1,103	8,744	19,646
Interest bearing investments	3,575					3,575
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	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	179,679	56,672	81,901	4,365	29,793	66,534
Total off balance	57,491	253	3,736	32	383	53,853
Total credit exposure	**237,170**	**56,925**	**85,637**	**4,397**	**30,176**	**120,387**

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

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's rights. In addition to the above mentioned collateral Fortis Bank Nederland has received collateral mainly relating to securities borrowing which Fortis Bank Nederland is permitted to sell or repledge.

5.4.1.9 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 (E.g.: consumer loans, receivables, mortgages) are selected and pooled together into a special purpose vehicle (SPV) which issues securities sold to investors.

The growth of Fortis Bank Nederland's commercial assets is exceeding the growth of its retail business. In order to support its business development while meeting regulatory capital requirements, Fortis Bank Nederland has launched several securitisation programs based on the Dutch residential mortgage portfolio, which amounts to EUR 28 billion as of year end 2007. The related securitsation vehicles are fully consolidated and hence, the securitised assets are reported on-balance in the Consolidated Financial Statements.

5.4.1.10 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 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 which 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 which have reached the 90-days past due trigger are therefore not included).

	2007					2006				
	Carrying amount of assets (not classified as impaired)	< = 30 days past due	> 30 days & < = 60 days past due	> 60 days past due	Total	Carrying amount of assets (not classified as impaired)	< = 30 days past due	> 30 days & < = 60 days past due	> 60 days past due	Total
Cash and cash equivalents	39,268					22,075				
Interest bearing investments	1,214					3,575				
Due from banks	38,768					27,071				
Due from customers										
Government and official institutions	1,779			125	125	1,573			88	88
Residential mortgage	62,972	758	2	2	762	59,820	640	42	67	749
Consumer loans	2,983	92	24	19	135	4,679	146	45	26	217
Commercial loans	39,663	2,187	163	443	2,793	31,599	997	139	821	1,957
Other	22,118	19	3	6	28	24,812	14	2	15	31
Total due from customers	129,515	3,056	192	595	3,843	122,483	1,797	228	1,017	3,042
Other receivables	3,422	318	57	80	455	2,914	239	76	103	418
Total on balance	**212,187**	**3,374**	**249**	**675**	**4,298**	**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				
	Carrying amount	Financial Instruments	Property, plant & equipment	Other collateral and guarantees	Collateral and guarantees received in excess of credit exposure [1]	Unsecured exposure
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		169
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	1,829
Other receivables	418			335		83
Total past due credit exposure	**3,460**	**326**	**1,127**	**421**	**325**	**1,912**

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, without recourse by Fortis Bank Nederland 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 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 2007.

Impairment for specific credit risk is established if there is objective evidence that Fortis Bank Nederland 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.

		2007			2006	
	Impaired outstanding	Impairments for specific credit risk	Coverage ratio	Impaired outstanding	Impairments for specific credit risk	Coverage ratio
Due from banks	1	(1)	100,0%			
Due from customers						
Government and official institutions	3	(2)	66,7%	3	(2)	66,7%
Residential mortgages	888	(24)	2,7%	845	(27)	3,2%
Consumer loans	201	(82)	40,8%	201	(75)	37,3%
Commercial loans	615	(225)	36,6%	829	(284)	34,3%
Other	88	(13)	14,8%	93	(2)	2,2%
Total Due from customers	1.795	(346)	19,3%	1.971	(390)	19,8%
Other receivables	275	(5)	1,8%	127	(15)	11,8%
Total on balance	2.071	(352)	17,0%	2.098	(405)	19,3%
Total off balance	85		0,0%	103		0,0%
Total impaired credit risk exposure	2.156	(352)	16,3%	2.201	(405)	18,4%

The decrease of impairments for specific credit risk is broadly in line with previous years. Retail banking shows a slight increase in specific credit risk for consumer loans. This slight increase is compensated by important releases in the commercial portfolio of the Merchant Bank.

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

	Impaired outstanding	Collateral received: Financial instruments	Collateral received: Property, plant & equipment	Collateral received: Other collateral and guarantees	Collateral and guaranteess received in excess of the secured impaired credit exposure [1]	Unsecured exposure
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**
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 being the period between the first impairment event of the financial asset and 31 December.

	2007				2006			
	< 1 year impaired	> 1 year < 5 years impaired	> 5 years impaired	Total	< 1 year impaired	> 1 year < 5 years impaired	> 5 years impaired	Total
Cash and cash equivalents								
Interest bearing investments								
Due from banks	1			1				
Due from customers								
Government and official institutions		3		3		3		3
Residential mortgage	620	268		888	556	289		845
Consumer loans	147	52	2	201	146	55		201
Commercial loans	226	334	55	615	345	478	6	829
Other	73	12	3	88	93			93
Total Due from customers	1,066	669	60	1,795	1,140	825	6	1,971
Other receivables	16	2		18	4	6		10
Total on-balance	1,082	671	60	1,813	1,144	831	6	1,981
Total off-balance	22	62	1	85	42	60	1	103
Total impaired credit exposure	**1,104**	**733**	**61**	**1,898**	**1,186**	**891**	**7**	**2,084**

Write-offs are based on Fortis Bank Nederland's latest estimate of its recovery and represent the loss that Fortis Bank Nederland 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 and Due from banks. 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. In the context of IAS 39 and in view of recent developments which have lead to even more increased risk awareness, the Fortis IBNR calculation method has been fine tuned.

IBNR is calculated on the performing loan portfolio of the banking businesses. IBNR amounted to EUR 49 million at the end of 2007 compared to EUR 73 million at the end of the previous year. This decrease reflects the more stringent policy regarding credit renewals. Details relating to IBNR impairments are provided in notes 15, 16, 17 and note 45.

5.4.2 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, other fixed-income assets and Insurance liabilities;
- change in price level of securities that affect the value of trading and investment portfolios and Insurance liabilities;
- foreign exchange fluctuations that affect future non-hedged cash flows;
- changes in volatility of interest rates or securities prices that affect the values of options or other derivatives;
- prepayment risk, deposit runs or other adverse customer behaviour linked to 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 pertain 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, credit spreads, equity markets, foreign exchange rates, real estate prices 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, dividends levels or other tradable characteristics. Trading risk is the risk of negative change in the total value of the portfolio in response to fluctuations in these risk factors.

5.4.2.1 ALM Risk

ALM Risk Management

ALM risk is managed within a single framework and measured using consistent methods (e.g. fair value calculations, stress tests, worst-case sensitivities), for both the Banking and Insurance activities. The mission of the central ALM function is to support, on an accurate and timely basis, management's understanding of market risk exposures undertaken in Fortis' balance sheet and its underlying entities. This includes ensuring that global asset allocation is in line with the strategy of the group and applying the concept of global limits to all types of market risk related to the balance sheet. ALM Risk focuses on value and earnings changes implied by volatility in interest rates, exchange rates, share prices and real estate prices. The risk of changes in volatility and credit spreads is not taken into account in these figures.

Bank ALM

The Bank ALM team operates centrally and is organised around four pillars: data gathering, modelling and measuring analysis, reporting and transfer price (implementing internal transfer prices in the different business lines). This function's main responsibilities are:

- to establish a framework for risk management and control of all the banking activities with an inherent market risk;
- to ensure a global asset allocation that 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 apply it to the different banking businesses, and;
- to closely monitor regulatory solvency, assess the evolution of the solvency-ratios and propose strategies concerning additional components of regulatory equity such as subordinated loans and hybrid financing.

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), equity securities risk and real estate risk. Interest rate risk affects both Banking and Insurance activities, but with opposite interest rate risk profiles, resulting in natural risk mitigation within Fortis Group.

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);
- optionality:
  - on the asset side, certain financial instruments carry embedded options (hidden or explicit) that will be exercised depending on movements in interest rates;
  - on the liability side, optionality exists in the Insurance company (e.g. profit sharing in insurance).

All figures presented in this section are before taxation.

ALM Risk measurement, monitoring and reporting

Interest Rate Risk

Fortis Bank Nederland measures, monitors and controls its ALM interest rate risk using the following indicators:

- cash flow gap analysis;
- duration of equity;
- interest rate sensitivity of the fair value of equity;
- Value at Risk (VaR);
- Earnings at Risk (EaR).

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'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 the Banking 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's exposure to interest rate changes. Their notional value is reported separately in the table.

As shown in the table below, internal transactions between Fortis Bank Nederland's Banking segments are not fully eliminated. A positive (negative) amount means a net receiving (paying) position in derivatives. 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's exposure to changes in interest rates.

At 31 December 2007	<1 month	1-3 months	3-12 months	1-3 years	3-5 years	5-10 years	>10 years
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)

As more liabilities than assets are repriced in the short term, the derivatives position clearly has a risk reducing effect on the total gap.

Duration of equity

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 net present values (NPV) of the cash flows (principal and interest). The NPV is calculated based on client rates.

Duration of equity is an application of duration analysis and measures Fortis Bank Nederland's consolidated interest rate sensitivity. It is measured as the difference between the present value of the future weighted cash flows generated by the assets and the present 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.

Duration of equity is used as a key indicator for the interest rate risk. It reflects the value sensitivity to a small parallel interest rate shift i:

$$\frac{\Delta \text{Value}}{\text{Value}} = -\text{Duration} \cdot \Delta i$$

Consequently, the following characteristics of this indicator can be derived:

- a positive (negative) duration leads to a decrease (increase) in value when rates increase (i positive)
- the higher the absolute value of the duration, the higher the sensitivity of the value to an interest rate movement.

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 mismatch between the weighted durations of assets and liabilities for Fortis Bank Nederland. The bank has a positive duration of equity. This means that an increase in interest rates leads to a decrease in value for the bank.

	2007	2006
Duration of equity (in years)	3.6	4.0

The duration of equity decreased in 2007 due to new long-term positions following long-term interest rate hikes mainly in the first half of the year.

While the duration of equity measures the sensitivity of the value to very small interest rate movements, Fortis Bank Nederland follows the variability of the value for bigger interest rate shocks. This is shown in the following section.

Interest rate sensitivity of the fair 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 shift in the yield curve on the fair value of equity, i.e. the fair value of all assets minus the fair value of all liabilities.

	+ 100bp	-100bp
Fortis Bank Nederland	-191 (-3.6%)	+191 (3.6%)

In Fortis Bank Nederland, a parallel shift of intrest rates of 100 bp will lead to a change in fair value of approximately 5% of total fair value.

Currency Risk
Any financial product is denominated in a specific currency; currency risk stems from a change in the exchange rate of that currency to the functional currency of Fortis Bank Nederland (euro).

No currency risk is taken in the ALM Bank position due to the application of the following principles:
- Loans and bond investments in currencies other than the functional currency of Fortis Bank Nederland must be hedged by a funding in the corresponding currency.
- Participating interests in currencies other than the functional currency of Fortis Bank Nederland must be hedged by a funding in the corresponding currency. The Fortis policy for Banking activities is to hedge via short-term funding in the corresponding currency 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's activities are hedged on a regular basis (monthly or quarterly).

Exceptions to this general rule must be approved by the ALM & MPC Committee. In 2007 Fortis Bank Nederland had no exceptions.

Other sub-risk types

In addition to interest rate risk and currency risk, ALM risk also encompasses equity securities risk and real estate risk. Equity securities risk is the risk of losses due to unfavourable movements on equity markets. Similarly, real estate risk is the risk of losses due to unfavourable movements in real estate prices. These risk factors are monitored through risk indicators such as Value at Risk and Earnings at Risk.

Value at Risk (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 kinds 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 one year and a confidence interval of 99.97% - volatility is not taken into account in these figures). This severe scenario corresponds to the overall common framework of economic capital within Fortis. Within the Banking activities similar calculations are performed with a 99% confidence level and a two-month horizon for day-to-day management.

	Fortis Bank Nederland
Interest-rate risk	677 mio

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

	Fortis Bank Nederland
+100bp	(17.0%)
- 100bp	17.0%

Within the Banking activities, the interest margin in the earnings at risk simulation is calculated with a constant duration of equity over the whole year. The main part of this earnings sensitivity is related to ABN AMRO financing. Eerly 2008 earning sensitivity was reduced significant. The sensitivity of the 'Treasury & Trading' position is out of scope.

ALM Risk – Stress Testing

When markets experience sudden, exceptional, or catastrophic events, stress analysis 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 Earning and Value Reporting. There are no formal limits in place based on those. ALM currently follows on 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 in the scope. The following three types of scenarios have been implemented: standardised, historical and forward-looking internal models.

Standardised Stress Tests
With a view to managing its risks adequately, Fortis Bank Nederland 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.

Historical Crisis Stress Test Scenarios
Historical scenarios are useful because they reflect market moves that actually happened, and therefore have a measure of both objectivity and credibility. The only weakness is that they reflect an economic reality that may no longer be relevant.

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

2 Fortis also provides these results to the regulators in order to facilitate supervisors' monitoring of interest rate risk exposures across institutions.

ALM Internal Models for Stress Tests

Fortis has designed a common set of stress scenarios based on an internal model and a common methodology to all the different entities of Fortis including Bank and Insurance. 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.

ALM Risk – Risk Mitigating Strategies

Within Fortis Bank Nederland, 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 mainly caused 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 mainly caused 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, more 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 is excluded from the hedged risk.

Due to the strict rules governing the use of hedge accounting, not all economic hedges covering Fortis Bank Nederland 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 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.

Hedged items	Hedging instruments	Hedged risk (1)
Mortgages	payer swaps	17.8

(1) Impact in EUR million on fair value of 1bp parallel shift of the yield curve.

The ALM derivatives position at 31 December 2007 was characterised by a potential impact of EUR 17.8 million (before taxation) by a 1-bp yield curve shift. Portfolio hedging reduced most of this profit or loss volatility. At year end-2007 the open derivatives position was EUR 0.4 million (before taxation) for a 1-bp yield shift.

In 2007 the basis point sensitivity of the open position was rather stable during the first six months (between 1.1 and 1.6), but was steadily declining towards 0.6 in Q3 and 0.3 at the end of 2007, while short term interest rates (3 months) as well as long term interest rates (10 years) showed an increase, with even inverse yields (10y interest rate vs 3m interest rate) in August (-5 bp), November (-17 bp) and December (-9 bp). These developments resulted in a p&l effect of +71.0. ALM succesfully 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). A small position, however, will always be the case.

5.4.2.2 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's trading risk activities consist of client-related trading activities as well as proprietary trading activities. They cover almost the full spectrum of instruments available on modern financial markets.

Trading risk is limited to the Banking activities of Fortis and complies with the general risk strategy. More specifically, it is a part of the Merchant Banking activities, for which the daily outcome of transactions depends on developments in market prices, currency rates, interest rates, credit spreads, equity securities, commodities and energy prices.

Trading risk management

Risk taking is based on a three-pillar Merchant Banking risk structure: risk management organisation, risk policies and risk decision procedures. Independent risk management provides information about the Merchant Banking risk profile to the Merchant Banking management team, Merchant Banking Risk Committees and Central Risk Management (CRM). Integrated risk management systems are installed in order to analyse and measure the variety of risk systematically.

Fortis has established limits to define the risk tolerance and to keep trading risk exposure under control. Several risk parameters exist, to cover all risk characteristics of exposures such as position (modified duration, delta, vega), Value at Risk, stress test and concentration limits. All limits are reviewed once a year in connection with the average limit use, past performance, volatility of income and the new budget.

Risk information from all locations is centralised in one global risk database.

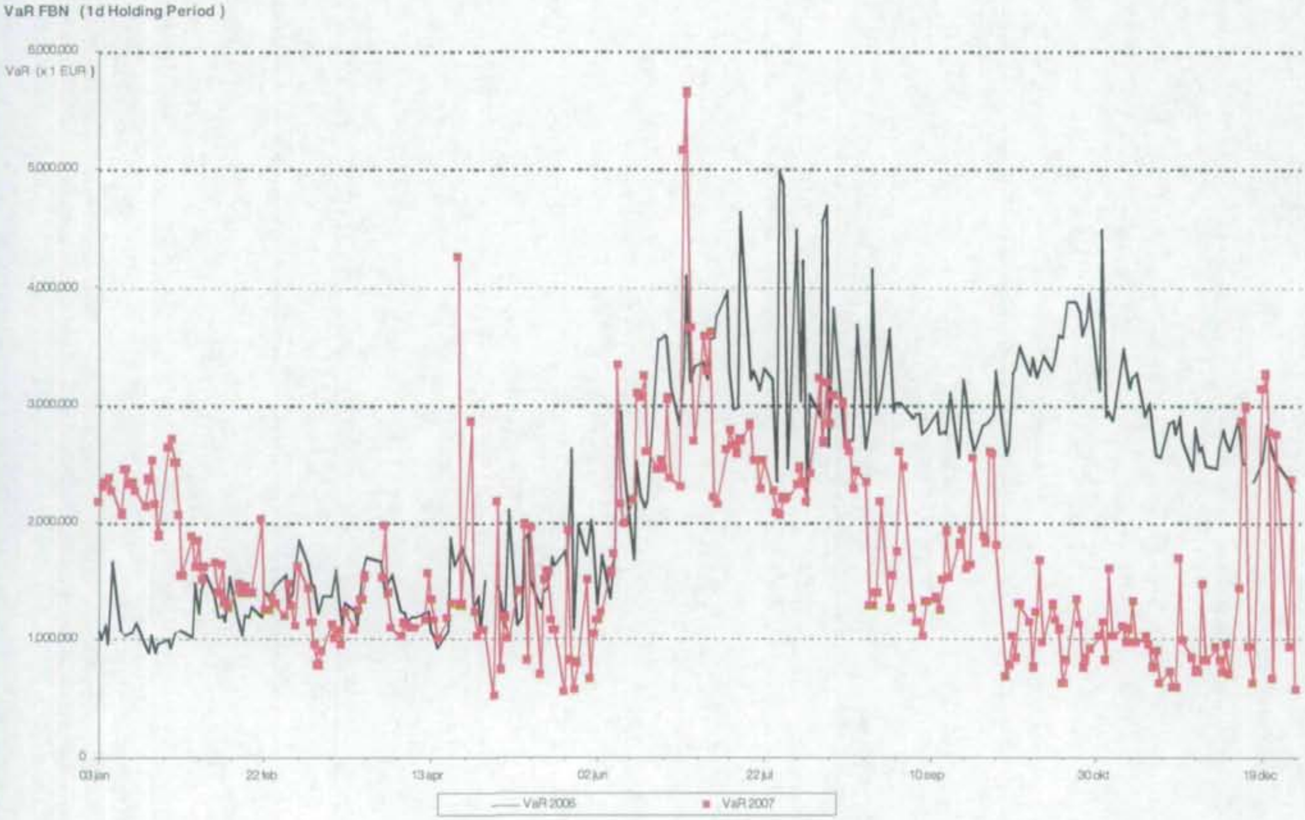
Trading risk measurement and monitoring

Fortis applies the Value at Risk (VaR) method based on the Extreme Value Distribution (EVD) historical simulation mode with full revaluation of derivative products, usually referred to as Historical VaR. The Historical VaR is now the target approach for trading risk measurement worldwide

To calculate the Historical VaR for the majority of products and activities, Risk Management uses a tailor-made system called MrMa (Market risk Management application). This system supports the following trading risk management functions:
official (end-of-day) Mark to Market (MtM) revaluation;
stress testing and sensitivity analysis;
back-testing.

The Historical VaR calculations in MrMa are based directly on the returns of each individual instrument of the portfolio (and not on an 'associated index + spread' solution). By using the Extreme Value Theory, data in the tail is used more efficiently.

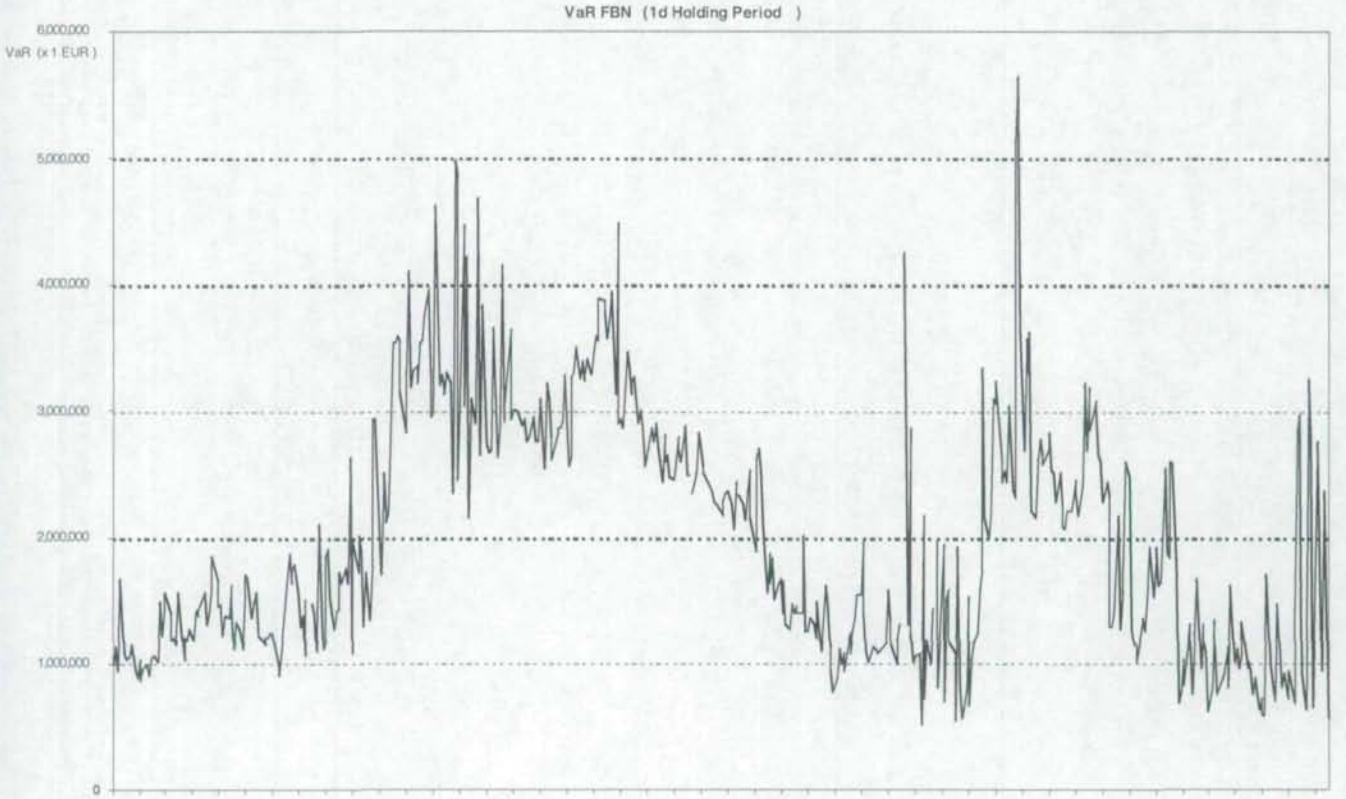
Value at Risk including all risk factors (in EUR million)



(in EUR million)	2007	2006	2005
VaR as of 31 December	0.6	2.3	1.1
Highest VaR	5.6	5.0	2.5
Lowest VaR	0.5	0.9	0.6
Average VaR	1.7	2.3	1.4

In 2007, Fortis Bank Nederland took less risk exposure on average compared to 2006.

Linear Value at Risk by risk factors (in EUR million)



The use of historical VaR in the management of trading risk
Historical VaR over 1 day and at a 99% probability is monitored in the daily risk reporting and used to calibrate the risk limits.

For the regulatory capital calculation according to the Basel framework, the VaR calculations are based on a holding period of 10 days. Merchant Banking addresses this by freezing the portfolio, applying the square root of time rule directly to the market data returns (for regulatory capital purposes), and calculating Event VaR for the tail risks not modelled by the VaR tool.

The economic capital of Fortis Bank Nederland is based on a VaR relative to a 1-year holding period (obtained by applying a correction 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 Merchant Banking's performance;
- diversification of revenues is achieved;
- limits will only be granted if the exposures under these limits can be calculated, monitored and reported by Merchant Banking 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 a macro risk management tool and are limits that the business may not exceed as a whole. Hard limits are approved by the Merchant Bank Risk Committee (MBRC) and ALM/MPC[3] and monitored by both Risk Management and CRM/Market Risk[4].
- *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 BankNetherlands, VaR is defined as the expected maximum loss over a 1-day holding period within a 99th percentile, one-tailed confidence interval;
- *Position 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 Merchant Bank Risk Management on a daily basis.

Merchant Bank Risk Management always reports limit overruns to the CEO and the CRO of Merchant Banking, the CEO of GMK, Internal Audit Services and the Head of Market Risk within Central Risk Management. In Fortis Bank Nederland the exceedings 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 simulates extreme scenarios. This is made possible in MrMa through sensitivity and stress testing modules that provide functionalities to generate scenarios, calculate their fair value impact and report the generated values.

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, and the hypothetical scenarios allow Fortis to simulate new shocks with unforeseen magnitudes.

The profit or loss figure obtained from the tests is further detailed for different levels of the Merchant Banking structure. Stress testing aims to make management aware of the risks (and income statement consequences) of extreme, abnormal movements of market variables.

[3] ALM/MPC: Fortis Assets and Liabilities Management /Market Policy Committee.

[4] CRM / Market Risk: Central risk Management / Market Risk.

As a result, stress testing 'early warning signals' have 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.

Once a month Risk Management runs the stress-testing programme covering the entire Merchant Banking business line. The different scenarios are assessed on a regular basis and, when appropriate, are updated and extended.

Trading risk back testing
Once the VaR has been calculated, the validity of the output is tested. This is performed using the backtesting module, where Value at Risk forecasts are compared with the calculated market-to-market change using daily market data variation.

Back testing is a formal statistical framework that tests on a daily basis the efficiency of the VaR model (and thus the reliability of the resulting VaR figures) by verifying that that the exceptions are recorded and used so that the model can be continuously fine-tuned.

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 achieved this target in 2007.

5.5 Liquidity Risk

Liquidity risk is the risk of not meeting actual (and potential) payments or collateral posting obligations 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.

5.5.1 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 cashflows. Central Risk Management has formulated a policy and framework for sound liquidity risk management. Its primary goal is to ensure that Fortis 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, and for all its Banking, Insurance and holding companies, including special purpose vehicles.

Liquidity management must be in line with a strategy of value creation. Fortis therefore does not pursue a policy of maximisation (i.e. maximum liquidity) but rather a policy of optimisation. Fortis' liquidity profile should reflect its creditworthiness, but should also contribute to profitability.

The Fortis Risk & Capital Committee (RCC) defines the risk appetite and strategy for all risk factors, including liquidity risk.

The Fortis Risk Committee (FRC) is responsible for monitoring liquidity risk across Fortis. The FRC delegates monitoring and acceptance of liquidity risk within a defined liquidity limit framework as follows:
- to the ALCO/MPC: Fortis Bank's structural liquidity risk management, defined by the ALM and executed by Global Markets;
- to the MPBRC and the ALCO/MPC (successively): structural liquidity risk management in non-euro currencies, which are not managed by a local ALM, defined and executed by Global Markets;
- to the MPBRC and ALCO/MPC (successively): operational and contingent liquidity risk management of Fortis Bank, defined and executed by Global Markets;
- to the Insurance Risk Committee: contingent, operational and structural liquidity risk management of the Fortis Insurance companies.

This risk structure is complemented by the Liquidity and Funding Competence Centre (LFCC) that acts as a cross-sector platform for a dialogue and the exchange of information on liquidity risk management issues.

Global Markets is Fortis' 'last resort lender', with ultimate access to the central banks or to professional financial markets. It has the final responsibility to fund all businesses and Fortis entities, including itself and special purpose vehicles.

5.5.2 Liquidity risk reporting

In order to monitor the use of liquidity for the Banking, Insurance and General accounts, CRM created and implemented a reporting framework. Reporting takes place in collaboration with Global Markets for short-term liquidity risks, and ALM Bank and Insurance and General 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 funding.

5.5.3 Liquidity risk limits

In addition to its reporting tools, Fortis is developing a liquidity gap limit framework for its three desks in Brussels, New York and Hong Kong. The limits framework focuses on short-term liquidity risk and defines limits for overnight (O/N), tomorrow/next day (T/N) and spot/next day (S/N). Further refinement towards one week and one month is foreseen at a later stage. While the O/N position is by definition the most important, T/N and S/N limits are necessary to enable any increase in the liquidity gap to be detected at an earlier stage. The limits are applied to the unsecured funding gap only.

The organisation of the Merchant Banking treasury activity n three hubs and three time zones means that positions can be rolled on from Hong Kong to Belgium and eventually on to New York. Separate limits have been defined for Hong Kong, Benelux and New York. As such, New York is the ultimate lender and the USD is the currency of last resort.

5.5.4 Contingency funding plan

The Contingency Funding Plan comes into effect whenever the liquidity position of Fortis is threatened by exceptional internal or external circumstances that could lead to a liquidity crisis. The plan is designed to enable Fortis to manage its liquidity sources without jeopardising its business franchise, 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 Communications department is one of the units usually involved. This plan proved to be very useful during the US subprime liquidity crisis of 2007.

Each Fortis entity that has a window to the financial markets has a dual responsibility with respect to liquidity crisis management. These entities must be able to take responsibility for the crisis management of its local currency and, if appropriate and necessary, should contribute to Fortis-wide liquidity crisis management. These entities must have their own contingency funding plans and their own local liquidity crisis committees, adapted to the specific features of local regulations, local convertible or non-convertible currencies and markets, and specific business activities.

5.5.5 Exposure to funding sources

Customer deposits (retail, commercial, corporate) form a significant part of the primary funding sources of the Banking activities. Current accounts and savings deposits of retail customers, although payable on demand or at short notice, contribute significantly to the long-term stability of the funding base. This stability depends on maintaining depositor confidence in Fortis Bank Nederland's solvency and sound liquidity management. Professional markets are accessed on a secured and unsecured basis to attract short-term funding. Reliance on unsecured borrowing is limited by means of the short-term limit system that puts a cap on unsecured position gaps. Monitoring of the issuance of short and long-term paper is centralised and access to the financial markets is coordinated by Global Markets (Global Liquidity & Funding Team).

5.5.6 Liquidity sensitivity gaps

The table below shows Fortis Bank Nederland'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 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 interests.

	Up to 1 month	1-3 months	3-12 months	1-5 years	over 5 years	no maturity	Total
31 December 2007							
Assets							
Fixed rate financial instruments	35,454	1,700	2,795	6,933	52,435	546	99,863
Variable rate financial instruments	12,883	1,422	1,351	1,842	19,658	82,363	119,519
Non-interest bearing financial instruments	6,858	1,277	538	1,323	4,466	31,539	46,001
Non-financial assets	1,936	370	393	423	411	3,462	6,995
Total assets	**57,131**	**4,769**	**5,077**	**10,521**	**76,970**	**117,910**	**272,378**
Liabilities							
Fixed rate financial instruments	38,340	11,100	16,126	16,118	2,621	576	84,881
Variable rate financial instruments	11,133	405	1,531	22,607	9,682	67,071	112,429
Non-interest bearing financial instruments	4,052	833	518	1,616	304	35,766	43,089
Non-financial liabilities	3,385	960	716	479	605	3,416	9,561
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**	**111,039**	**203,653**
Net liquidity gap	**2,410**	**(19,552)**	**(17,716)**	**11,452**	**40,534**	**(11,032)**	**6,096**
At 31 December 2005							
Total assets	54,729	5,250	9,020	17,708	52,070	32,094	170,871
Total liabilities	43,345	12,755	16,715	18,721	8,773	64,774	165,083
Net liquidity gap	**11,384**	**(7,505)**	**(7,695)**	**(1,013)**	**43,297**	**(32,680)**	**5,788**

5.6 Liquidity Risk Management Fortis Bank Nederland

Fortis Bank Nederland has the dual responsibility to ensure that the Fortis Bank Nederland liquidity risk profile falls within the cross border liquidity risk limits as well as the local regulatory rules. Fortis Bank Nederland has therefore set up a local liquidity risk management framework analoge to that of Fortis.
The Central Liquidity Manager with specific mandates of and reporting lines to ALCO Fortis Bank Nederland has a coordinating role to ensure the compliance to both Fortis Bank Liquidity Risk Management Structures and local regulatory rules.

5.7 Operational risk

All companies including financial institutions 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.

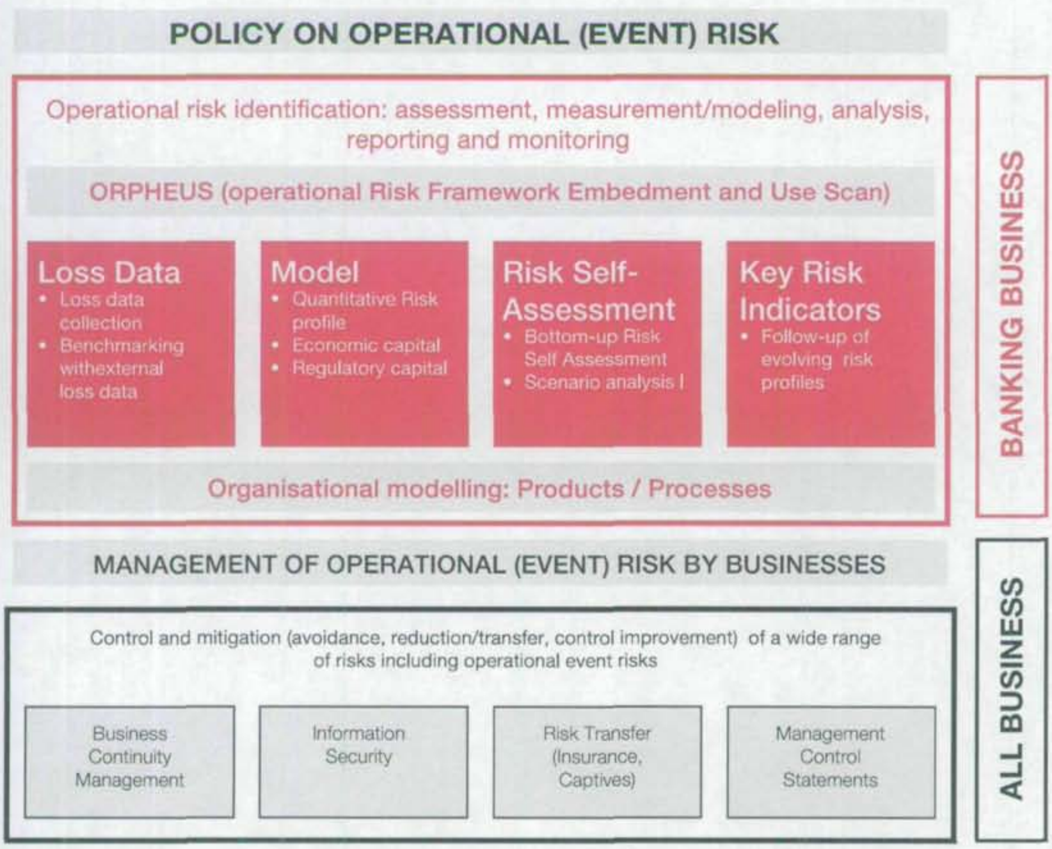
Business risk is the risk of 'being in business,' which affects any enterprise, financial or non-financial. It is the risk of loss due to changes in the competitive environment that damage the business's franchise or operating economics. Typically, the fluctuation originates with variations in volume, pricing or margins against a fixed cost base. Business risk is thus mostly externally driven (by regulatory, fiscal, market and or competition changes, as well as strategic, reputation risks and other related risks), but it can be mitigated 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 fraud involving employees, clients, products and 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

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, business and country level. Global, local and country operational risk managers have been assigned to all bank-related businesses (including support functions) and main countries.

Each business and 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 country/legal entity level: the country/legal entity is responsible for local coordination and support of risk management mitigation initiatives, coordination across businesses of the management and mitigation of event risk exposure, communication with regulators and supervisors and reporting to its Country Risk Committee or Country Management Team.
- At group level: 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 Operational Risk Policy Committee) and the management committees of the businesses and the bank.

5.7.2 Operational risk assessment, measurement, reporting and monitoring

For the effective and efficient identification and management of operational risks, the following tools and techniques are used:

- **Loss Data Collection**: since 2001, the businesses have continuously collated loss data, including causal information, in a central loss database. Central operational risk management monitors the quality, completeness and timeliness of the collated 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 the 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 operational 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 central 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 fund requirements are allocated to the legal entities of the group 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 and country level, to Central Risk Management and to the Operational Risk Policy Committee. Managers use that information to control their operational risk profile.

In line with the Fortis Risk Management/Mitigation Policy and the guidelines of Fortis Central Risk Management, the tools and techniques for identification and management of operational risks have been implemented in the Fortis Bank Nederland's operations. In some cases, the implementation is part of a cross-border business approach.
The operational event risk information with respect to Fortis Bank Nederland is reviewed and analysed. Operational loss data is analysed quarterly and the own fund requirements that are calculated for Fortis Bank Nederland and legal entities of Fortis Bank Nederland are examined.

5.7.3 Operational control and mitigation

Fortis has a variety of tools 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, insurance 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 make an effective response that safeguards the interests of its stakeholders, reputation, brand and value creating activities.

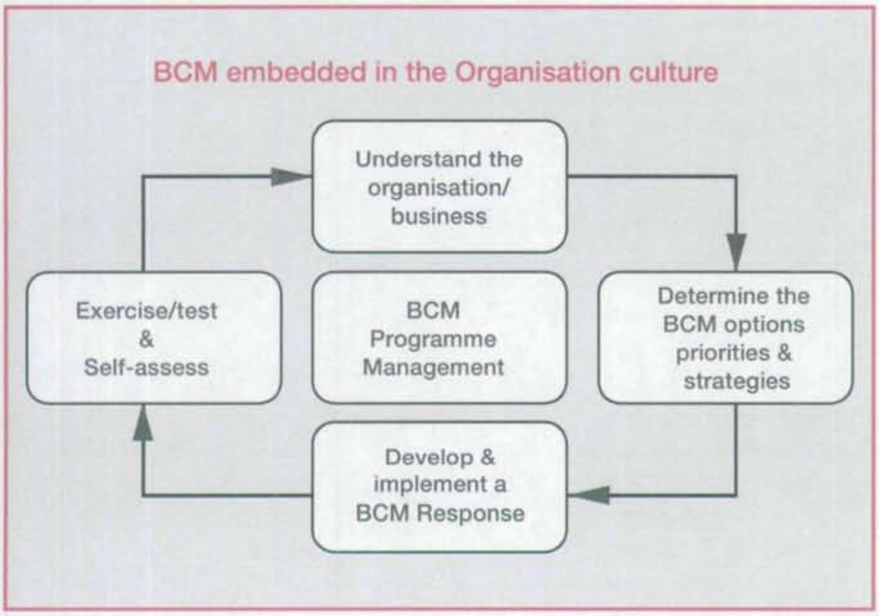
As a financial services organisation, Fortis acknowledges the importance of BCM. It describes its approach in the Fortis BCM policy document. This is based on international regulations and best practice guidelines as issued by:

- Basel Committee on Banking supervision: High Level Principles for Business Continuity;
- The Business Continuity Institute: Good Practice Guidelines (BCI GPG);
- The British Standards Institute [5].

[5] The Publicly Available Standard 56: Guide to Business Continuity (PAS 56) and the Standard BS25999-1: Code of Practice for Business Continuity Management.

The Scope of BCM at Fortis is:
- Internal: Fortis in all its dimensions (i.e. all Fortis businesses and support functions, all countries, all Fortis legal entities and subsidiaries)
- External: any third parties that process Fortis information or provide other vital services or products that support mission-critical Fortis services (external outsourcing)

The Fortis BCM approach entails the following steps:

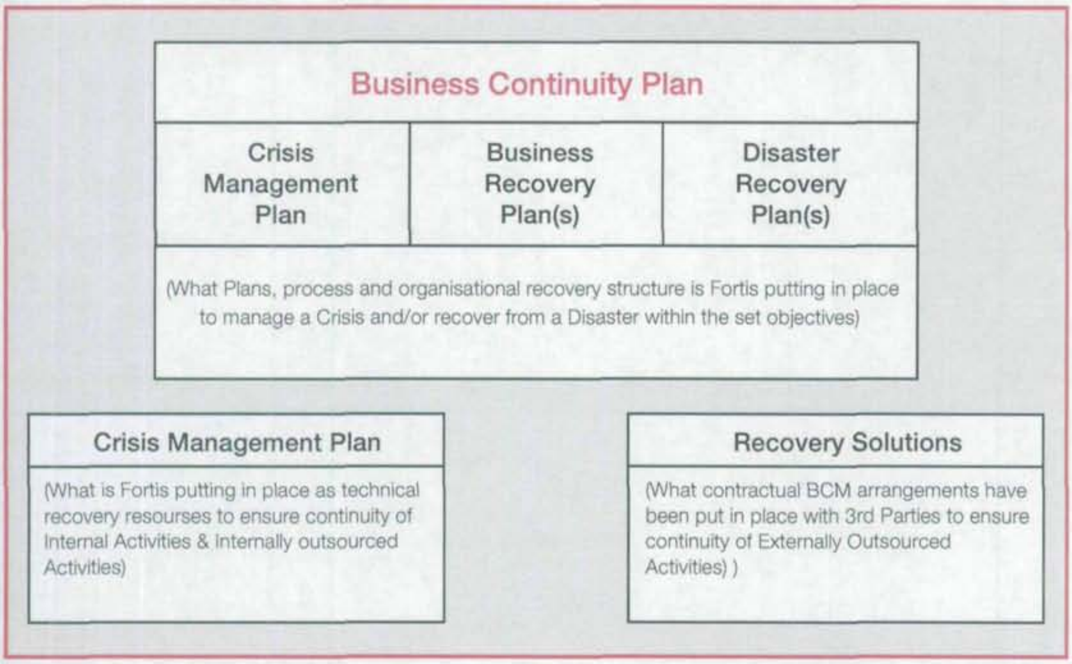


The Fortis BCM approach must be embedded in the organisational culture and be implemented and maintained by BCM programm management, appropriate to the nature, size and complexity of the respective Fortis Businesses to which it applies.

Information about the organisation's critical services and the activities and resources that are 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 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.

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.



Lastly, Fortis 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 Fortis Bank Nederland Business Continuity Management Policy is described in the 'Structuurnota BCM' which is in line with the Fortis Business Continuity Management Policy and compliant with Dutch regulations regarding BCM. The Structuurnota is updated annually and is approved by the Executive Board of Fortis Bank Nederland. Fortis Bank Nederland has a Business Continuity Team (BCT) in place that is chaired by the Chairman of the Executive Board of Fortis Bank Nederland. A BCT Bureau supports the Business Continuity Team. The BCT Bureau is responsible for overall coordinating Business Continuity Management of Fortis Bank Nederland and has also a monitoring role.

Each business and support function of Fortis Bank Nederland 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 oversight and reviews / monitors the Business Continuity organisation, implementation, testing, incidents and residual risks. The BCT Bureau is increasing the resilience of Fortis Bank Nederland by organising adequate training.

Adequate 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

To Fortis, as a financial services firm, information is critically important. Financial services are knowledge- and information-intensive and reliable information is essential to Fortis' success. Information must thus be protected continuously and appropriately against a wide range of threats. Fortis does this by establishing a structured information security approach to assure the confidentiality, integrity and availability of information..

The Fortis Information Security Policy defines the organisational framework, management and staff responsibilities and the information security directives that apply throughout the Fortis group and to third parties with whom Fortis exchanges information. Furthermore, Fortis 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 Information Security Policy on a 'comply or explain' basis. Responsibility for the design and implementation of information security is delegated to the Operational Risk Policy Committee (OPC). The strategy for implementing policy utilises existing best practices at Fortis as much as possible.

The OPC has specifically appointed an Information Security and Business Continuity Steering Committee, comprising senior managers from the businesses and support functions, to steer policy implementation at strategic level. Fortis achieves this by setting up several key group-wide projects to drive information security (e.g. identify management, business continuity and security awareness).

In cooperation with representatives of the businesses and support functions, a Security Management Framework has been developed for Fortis Bank Nederland in 2007. This Framework comprises procedures and guidelines to support the businesses and support functions to implement the Fortis Information Security Policy.

5.7.3.3 Risk transfer through insurance

Fortis recognises insurance as a valid tool to transfer the effects of operational risk to the external market. CRM coordinates this insurance centrally, and more precisely 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 purchases following insurance policies from third-party insurers :

- Combined Bankers Blanket Bond, Computer Crime and Professional Liability Insurance
- Directors and Officers Insurance

In addition to this external insurance cover, Fortis uses internal reinsurance captives to finance operational risks. In this way the deductibles of the external Combined Bankers Blanket Bond, Computer Crime and Professional Liability Insurance are reinsured as risk retention by an internal captive.

5.7.3.4 Management control statements (MCS)

While operational risk management focuses mainly on operational event risks, management control is mostly concerned with business risk (including strategic and reputation issues). However, operational risk management and management control are interrelated:

- 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 CRM.

Management teams sign their management control statements and formulate action plans (if necessary) to improve steering/ control. Central Risk Management coordinates reporting on the follow-up to those action plans. The MCS is an attestation, every year-end, of the functioning of the risk management and internal control system during the year. The MCS process covers the whole of Fortis.

6. Supervision and solvency

As a financial institution, Fortis Bank Nederland is subject to prudential supervision by the Dutch Central Bank.

6.1 Supervision

Prudential supervision includes the verification on a monthly basis that Fortis Bank Nederland 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 acitivities are calucalted in accordance with the corresponding sectoral rules. Fortis Bank Nederland met all requirements in 2007, 2006, and 2005.

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

	2007	2006	2005
Credit Risk	75,402	66,564	63,023
Market Risk	448	431	300
Risk weighted commitments	75,850	66,995	63,323
Tier 1 ratio	30.7%	8.6%	8.5%
Total capital ratio after profit appropration	11.2%	10.9%	10.5%

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 after the completion of employment. 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 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	
	2007	2006	2007	2006
Present value of funded obligations	1,824	1,932		
Present value of unfunded obligations	136	151	63	59
Defined benefit obligation	1,960	2,083	63	59
Fair value of plan assets	(1,864)	(1,813)		
	96	270	63	59
Unrecognised actuarial gains (losses)	179	111	11	11
Unrecognised past service cost	(8)	(10)		
Unrecognised assets due to Asset ceiling				
Other amounts recognised in the balance sheet				
Net defined benefit liabilities (assets)	267	371	74	70
Amounts in the balance sheet:				
Defined benefit liabilities	270	374	74	70
Defined benefit assets	(3)	(3)		
Net defined benefit liabilities (assets)	267	371	74	70

Defined benefit liabilities are classified under Accrued interest and other liabilities (see note 30) and Defined benefit assets are classified under Accrued interest and other assets (see note 22).

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	
	2007	2006	2007	2006
Net defined benefit liabilities (assets) at 1 January	371	257	70	269
Total defined benefit expense	40	61	9	(23)
(Contributions received) / benefits paid	(145)	(143)	(5)	(8)
Acquisitions and disposals of subsidiaries				
Transfer	1	196		(168)
Foreign exchange differences				
Other				
Net defined benefit liabilities (assets) as at 31 December	267	371	74	70

The table below shows the changes in the Defined benefit obligation

	Defined benefit pension plans		Other post-employment benefits	
	2007	2006	2007	2006
Defined benefit obligation at 1 January	**2,083**	**2,135**	**59**	**301**
Current service cost	46	60	5	4
Interest cost	97	94	3	4
Actuarial losses (gains) on defined benefit obligation	(212)	(254)	(3)	(42)
Participants' contributions				
Benefits paid	(59)	(55)	(5)	(6)
Past service cost - non-vested benefits			3	
Past service cost - vested benefits				
Losses (gains) on curtailments				(33)
Liabilities extinguished on settlements	(1)	(87)		
Acquisitions and disposals of subsidiaries				
Transfer	7	191	1	
Foreign exchange differences	(1)	1		
Other				(169)
Defined benefit obligation as at 31 December	**1,960**	**2,083**	**63**	**59**

The following table shows the changes in the fair value of plan assets.

	Defined benefit pension plans		Other post-employment benefits	
	2007	2006	2007	2006
Fair value of plan assets at 1 January	**1,813**	**1,756**		
Expected return on plan assets	100	80		
Actuarial gains (losses) on plan assets	(133)	(41)		
Employer's contributions	145	143	5	6
Participants' contributions				
Benefits paid	(59)	(55)	(5)	(6)
Assets distributed on settlements	(1)	(70)		
Acquisitions and disposals of subsidiaries				
Transfer				
Foreign exchange differences	(1)	(2)		
Other				
Fair value of plan assets as at 31 December	**1,864**	**1,813**		

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		
	2007	2006	2005
Actual return on plan assets	(32)	39	203

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	
	2007	2006	2007	2006
Unrecognised actuarial gains (losses) at 1 January	**111**	**(117)**	**11**	**(33)**
Actuarial gains (losses) on defined benefit obligation	212	254	3	42
Actuarial gains (losses) on plan assets	(133)	(41)		
Less: Recognised gains (losses) resulting from asset ceiling				
Recognised losses (gains) resulting from curtailment				
Recognised losses (gains) resulting from settlement				
Amortisation of unrecognised actuarial losses (gains) on defined benefit obligation	(5)	2	(1)	
Amortisation of unrecognised actuarial losses (gains) from plan assets				
Acquisitions and disposals of subsidiaries				
Transfer	(6)		(2)	
Foreign exchange differences				
Other		13		2
Unrecognised actuarial gains (losses) as at 31 December	**179**	**111**	**11**	**11**

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 2005 figures of the table above were adjusted for comparison purposes.

The following table shows the principal actuarial assumptions used for the euro-zone countries.

	Defined benefit pension plans						Other post-employment benefits					
	2007		2006		2005		2007		2006		2005	
	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High
Discount rate	4.7%	5.4%	4.7%	3.8%	4.2%	4.0%	4.2%	4.2%	4.2%	4.2%	4.2%	4.2%
Expected return on plan assets at 31 December	6.0%	6.0%	5.3%	5.3%	4.9%	4.9%						
Future salary increases (price inflation included)	2.5%	3.3%	2.4%	2.4%	2.4%	2.4%	2.3%	2.3%	2.4%	2.4%	2.4%	2.4%
Future pension increases (price inflation included)	1.9%	1.9%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.6%	1.6%
Medical cost trend rates							4.3%	4.3%	4.3%	4.3%	4.3%	4.3%

A one percent change in assumed medical cost trend rates would have the following effect on the Defined benefit obligation.

	One percent increase	*One percent decrease*
Effect on the total defined benefit expense - medical costs	3	(2)

The plan assets comprise predominantly fixed income securities and investment contracts with insurance companies. Fortis' internal investment policy stipulates that investment in derivatives and emerging markets for the purpose of funding pension plans is to be avoided. Fortis 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:

	2007	2006	2005
Equity securities	20%	17%	22%
Debt securities	66%	72%	51%
Real estate	4%	4%	2%
Convertibles	4%	3%	3%
Other	6%	4%	3%
Cash	0%	0%	19%

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 applies general guidelines about tactical asset allocation based on criteria such as geographical distribution and rating. Asset Liability Management studies are carried out periodically in order to keep the investment strategy in balance with the structure of the pension benefit obligation. According to these guidelines and the results of the studies, the asset allocation is decided for each scheme at company level.

The employer's contributions expected to be paid to 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	115	7

7.1.2 Defined contribution plans

Fortis Bank Nederland 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 26 million in 2007 (2006: EUR 41 million; 2005: EUR 29 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 30).

	2007	2006	2005
Present value of the obligation	23	21	38
Net recognised obligations	**23**	**21**	**38**

The following table shows the changes in Liabilities for other long-term employee benefits during the year.

	2007	2006
Net liability at 1 January	**21**	**38**
Total expense	3	5
Contributions received/(benefits paid)	(1)	(3)
Transfer		(19)
Net liability at 31 December	**23**	**21**

The table below provides the range of actuarial assumptions applied in calculating the Liabilities for other long-term employee benefits.

	2007		2006		2005	
	Low	High	Low	High	Low	High
Discount rate	4.7%	4.8%	2.9%	2.9%	3.8%	3.8%
Salary increase	3.3%	5.0%	1.8%	1.8%	2.4%	2.4%

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).

	2007	2006	2005
Current service cost	2	2	1
Interest cost	1	1	
Net actuarial losses (gains) recognised immediately		2	2
Total	**3**	**5**	**3**

8. Employee share option and share purchase plans

Each year Fortis Bank Nederland determines whether the Fortis options shall be allocated to employees depending on merit and performance.

In fact, during recent years, Fortis Bank Nederland decided to offer options on Fortis shares to key employees as is done to senior managers in order to strengthen their commitment to Fortis Bank Nederland 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);

On 25 September 2007, Fortis launched a capital increase in the form of a Rights Issue in order to partly finance its contribution to the bid for ABN AMRO. A substantial number of new Fortis shares were consequently issued at a discount. This brought down the value of portfolios of Fortis stock option holders and participants in restricted share plans.
On 20 September, 2007, the Board of Directors of Fortis decided to adjust the conditions of all stock-option plans and all restricted-share plans in order to neutralise the direct impact of the capital increase on the portfolios. These adjustments are made according to the Euronext.liffe formula. The adjustment ratio based on Euronext.liffe formula is 0.83715.

To neutralise the direct impact of the capital increase on portfolios, the exercise price, the number of options and the number of committed restricted shares is amended in accordance with the the adjustment ratio, as follows:

- the exercise price of the options will be reduced (current exercise price multiplied by the adjustment ratio)
- the number of options will be increased (current number of options divided by the adjustment ratio).
- the number of committed restricted shares will be increased (current number of committed Restricted shares divided by the adjustment ratio).

When Fortis Bank Nederland or one of its subsidiaries grants options on Fortis shares to their employees, the related expenses are invoiced by the parent company and recorded as staff expenses. The exercise or expiration of these options has no impact on the accounts of Fortis Bank Nederland.
In 2007 the ESOP stock option plan granted 903,487 Fortis shares to Fortis Bank Nederland employees (2006: 802,683).
The costs related to this stock option plan at 31 December 2007 were 4 million (December 2006: EUR 3 million).

9. Remuneration of Board members and Executive Managers

In 2007 the remuneration, including pension costs, of current and former members of the Executive Board payable by Fortis Bank Nederland was EUR 2.3 million (total remuneration of current and former members was EUR 4.6 million in 2006; EUR 3.0 million in 2005). In 2007 the number of options granted to the executive board was 39,239 (2006: 47,781; 2005: 44,795). The strike price of these options was 23.96 (2006: 24.68; 2005: 18.65). These figures were adjusted based on adjustment ratio, see note 8.

The remuneration of members of the Supervisory Board of Fortis Bank Nederland was EUR 0.3 million (2006: EUR 0.4 million; 2005: EUR 0.4 million). The remuneration of the members of the Supervisory Board in 2004 was borne partly by Fortis.

10. Audit fees

Fees paid to Fortis Bank Nederland's auditors for 2007, 2006 and 2005 can be broken down into the following components:
- audit fees, which include fees for auditing the statutory and consolidated financial statements, and quarterly and other reports;
- audit-related fees, which include fees for work performed on prospectuses, non-standard auditing and advisory services not related to statutory auditing;
- fees for tax advice;
- other non-audit fees, which include fees for support and advice on acquisitions.

The breakdown of the audit fees for the year ended 31 December is as follows:

	2007	2006	2005
Audit fees	5	5	5
Audit-related fees		1	1
Other non-audit fees			1
Total	5	6	7

11. Related parties

Related parties to Fortis Bank Nederland include Fortis companies not within the scope of Fortis Bank Nederland, associates, pension funds, joint ventures, Executive 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 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 remuneration of the Executive Board and the Supervisory Board is described in note 9.

Total outstanding loans and advances to members of the Executive Board of Fortis Bank Nederland amounts to EUR 1.9 million (2006: EUR 2.8 million and 2005: EUR 2.5 million)
The outstanding loans and advances to members of the Executive 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 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 the for the year ended 31 December are summarised below:

- Fortis companies not within scope Fortis Bank Nederland;
- associates;
- joint ventures;
- other related parties.

	2007	2006
Income and expenses - Related parties		
Interest income	6,296	3,140
Interest expense	(8,171)	(4,827)
Fee and commission income	99	62
Fee and commission expense	(6)	(33)
Dividend and other investment income		25
Realised gains	98	847
Other income	163	99
Operating, administrative and other expenses	(88)	(74)

	2007			2006		
	Associates and Joint ventures	Other	Total	Associates and Joint ventures	Other	Total
Balance sheet - Related parties						
Investments in associates	843		843	928	166	1,094
Cash and cash equivalents	10	32,135	32,145		17,343	17,343
Assets held for trading	9	4,338	4,347		2,498	2,498
Due from banks	125	11,332	11,457	27	4,837	4,864
Due from customers	293	9,778	10,071	313	9,266	9,579
Other assets	24	1,530	1,554	8	978	986
Liabilities held for trading	45	2,043	2,088		957	957
Due to customers		15,230	15,230		11,707	11,707
Due to banks	333	53,897	54,230		48,521	48,521
Debt certificates, subordinated liabilities and other borrowings	139	19,968	20,107	139	1,394	1,533
Other liabilities	41	3,184	3,225	206	1,750	1,956

12. Information on segments

12.1 General information

Fortis is an international financial services provider whose core activities are Banking and Insurance. The primary format for segment reporting is based on businesses.

In October 2006 Fortis announced a new organisational structure to support the evolution of its growth strategy. The new structure was implemented on 1 January 2007.
The 2006 figures presented are not restated and are the same as in the Financial Statements Fortis Bank Nederland (Holding) 2006.

Fortis Bank Nederland is now organised on a world-wide basis into two businesses which are further subdivided into business segments (for details see below):

- Retail Banking
- Merchant & Private Banking

Activities not related to the Banking business and elimination differences are reported separately.

Fortis' segment reporting reflects the full economic contribution of the businesses of Fortis. 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' Consolidated 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.

On 5 November 2007 Fortis announced that it would reorganise its management structure as of 1 January 2008. The adequate management structure will not only facilitate the successful integration of the acquired businesses of ABN AMRO, but will also support the development of Fortis as a whole. Fortis will start to report according to the new organisational structure as of the first quarter of 2008.

12.2 Banking

Retail Banking

Retail Banking consists of the business segments Network and Asset Management.

Retail Banking Network

Retail Banking Network offers financial services to retail customers including individuals, self-employed people, members of the independent professions and small businesses, through the international Retail Banking business. Fortis 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.

Merchant & Private Banking

Merchant & Private Banking encompasses a wide range of banking products and skill-oriented financial services for large international companies and institutional clients, medium-sized enterprises and entrepreneurs, and private banking clients. Merchant & Private Banking is organised according to a Clients-Skills structure.

Merchant & Private Banking Clients

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

Corporate, Institutional & Public Banking is responsible for the global relationship management of corporate, institutional and public-sector clients. Commercial Banking aims to be the partner of choice for Europe-oriented medium-sized enterprises by offering value-added solutions through a cohesive network of Business Centres. Within ECT, Fortis Bank Nederland offers financial solutions to these industry sectors. Private Banking offers integrated, worldwide asset and liability management solutions to high net worth individuals, their businesses and their advisors.

Merchant & Private Banking Skills

Merchant & Private Banking is organised around Skills units delivering high added value products and services potentially to all client segments. Skills include Global Markets, Clearing, Funds & Custody, Investment Banking and Specialised Financial Services.

Global Markets performs all trading, sales and research activities. Clearing, Funds & Custody offers financial services in custody, clearing and fund administration that support the trading and investment activities of financial professionals.
Investment Banking offers a wide variety of financial services, including corporate finance, structural finance and private equity. Specialised Financial Services consists of leasing, commercial finance, global trade services, cash management, trust and corporate services.

Other Banking

Balance sheet items, revenues and costs for support functions, operations and Asset & Liability Management (ALM) are reported in this section. The figures reported are those after allocation to the business segments.

Fortis Hypotheek Bank is reported in Other Banking..

Allocation rules

Segment reporting within the Banking segments make use of 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 aim at reporting information on segments to reflect Fortis' business model.

Under Fortis' 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 & 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.

Balance sheet of banking segments Year T

31 December 2007

	Retail Banking Network	Merchant & Private Banking Clients	Merchant & Private Banking Skills	Other Banking	Eliminations	Total Banking
Assets						
Cash and cash equivalents	10.379	6.600	37.645	53.887	(69.242)	39.269
Assets held for trading	138	58	22.008	957	(44)	23.117
Due from banks	43.134	34.959	88.977	44.522	(172.824)	38.768
Due from customers	35.831	36.489	49.497	67.860	(58.706)	130.971
Investments:						
- Held to maturity				35		35
- Available for sale		18	3.111	72		3.201
- Held at fair value through profit or loss			123			123
- Investment property		37	38	8	(4)	79
- Associates and joint ventures	2		1.482	24.249		25.733
	2	55	4.754	24.364	(4)	29.171
Other receivables	63	25	3.343	38	(34)	3.435
Property, plant and equipment	4	4	74	550	(264)	368
Goodwill and other intangible assets		103	96	46	(21)	224
Accrued interest and other assets	544	686	3.367	5.228	(2.770)	7.055
Total assets	90.095	78.979	209.761	197.452	(303.909)	272.378
Liabilities						
Liabilities held for trading	138	54	51.367	920	(13)	52.466
Due to banks	65.319	45.170	117.323	96.428	(252.929)	71.311
Due to customers	23.269	31.682	35.063	34.795	(54.819)	69.990
Liabilities arising from insurance and investment contracts						
Debt certificates	102		88	32.707	(101)	32.796
Subordinated liabilities	37	229	44	11.652	(310)	11.652
Other borrowings		89	191	1.091	( )	1.371
Provisions	9	12	47	31	(20)	79
Current and deferred tax liabilities	93	15	352	322		782
Accrued interest and other liabilities	1.128	1.728	5.286	(2.912)	4.283	9.513
Total liabilities	90.095	78.979	209.761	175.034	(303.909)	249.960
Issued capital and reserve				21.763		21.763
Minority interests				655		655
Total liabilities and equity	90.095	78.979	209.761	197.452	(303.909)	272.378
Due from external customers	35.831	14.032	30.934	19.286	30.888	130.971
Due from internal customers		22.457	18.563	48.574	(89.594)	
Due from customers	35.831	36.489	49.497	67.860	(58.706)	130.971
Due to external customers	12.871	26.663	14.427	5.670	10.359	69.990
Due to internal customers	10.398	5.019	20.636	29.125	(65.178)	
Due to customers	23.269	31.682	35.063	34.795	(54.819)	69.990

31 December 2006

	Retail banking	Merchant banking	Commercial & Private Banking	Other Banking	Eliminations	Total Banking
Assets						
Cash and cash equivalents	10,020	54,556	1,545	85,016	(129,062)	22,075
Assets held for trading		22,068	45	1,309	(29)	23,393
Due from banks	27,837	118,435	28,776	140,800	(288,777)	27,071
Due from customers	34,467	47,196	21,033	69,576	(48,233)	124,039
Investments:						
- Held to maturity				33		33
- Available for sale		1,456	193	3,843	(1,697)	3,795
- Held at fair value through profit or loss		179				179
- Investment property				6	(3)	3
- Associates and joint ventures	2	861		43		906
	2	2,496	193	3,925	(1,700)	4,916
Trade and other receivables	4	1,167	1,729	39	(19)	2,920
Property and equipment	3	11	46	592	(267)	385
Goodwill and other intangible assets		7	209	24	(12)	228
Accrued interest and other assets	516	2,284	390	3,343	(1,810)	4,723
Total assets	**72,849**	**248,220**	**53,966**	**304,624**	**(469,910)**	**209,749**
Liabilities						
Liabilities held for trading		32,297	44	627	(7)	32,961
Due to banks	50,025	180,923	28,128	220,897	(409,829)	70,144
Due to customers	21,613	31,366	23,348	43,670	(56,141)	63,856
Debt certificates	103	45	107	26,904	(1,815)	25,344
Subordinated liabilities	35	251	216	2,621	(721)	2,402
Other borrowings	4	54	193	652		903
Provisions	15	28	32	50	(34)	91
Current and deferred tax liabilities	55	268	38	203	1	565
Accrued interest and other liabilities	999	2,988	1,860	2,903	(1,364)	7,386
Total liabilities	**72,849**	**248,220**	**53,966**	**298,527**	**(469,910)**	**203,652**
Issued capital and reserve				5,910		5,910
Minority interests				187		187
Total equity				**6,097**		**6,097**
Total liabilities and equity	**72,849**	**248,220**	**53,966**	**304,624**	**(469,910)**	**209,749**

12.4 Income statement of banking segments

	Retail Banking Network	Private Banking Clients	Private Banking Skills	Other Banking	Eliminations	Total Banking
	2007					
Income						
Interest income	3,251	2,883	20,045	11,270	(18,280)	19,169
Interest expense	(2,630)	(2,335)	(19,746)	(11,203)	18,280	(17,634)
Net interest income	621	548	299	67		1,535
Fee and commission income	159	241	732	36		1,168
Fee and commission expense	(37)	(18)	(149)	(38)		(242)
Net fee and commission income	122	223	583	(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	13	108		126
Other realised and unrealised gains and losses	9	19	358	201		587
Other income	156	129	81	(112)	(29)	225
Total income	**912**	**930**	**1,358**	**455**	**(29)**	**3,626**
Change in impairments	(40)	30	(20)	(11)		(41)
Net revenues	**872**	**960**	**1,338**	**444**	**(29)**	**3,585**
Expenses						
Staff expenses	(187)	(164)	(301)	(303)		(955)
Other expenses	(185)	(67)	(215)	(472)	29	(910)
Allocation expense	(239)	(151)	(163)	553		
Depreciation and amortisation of tangible and intangible assets	(2)	(2)	(9)	(47)		(60)
Total expenses	**(613)**	**(384)**	**(688)**	**(269)**	**29**	**(1,925)**
Profit before taxation	**259**	**576**	**650**	**175**		**1,660**
Income tax expense	(83)	(140)	(123)			(346)
Net profit for the period	**176**	**436**	**527**	**175**		**1,314**
Net profit attributable to minority interests		5	5	8		18
Net profit attributable to shareholders	**176**	**431**	**522**	**167**		**1,296**

	Retail banking	Merchant banking	Commercial & Private banking	Other banking	Total Banking
					2006
Income					
Interest income	3,288	5,641	1,705	2,898	13,532
Interest expense	(2,548)	(5,455)	(1,269)	(2,803)	(12,075)
Net interest income	740	186	436	95	1,457
Fee and commission income	153	347	423	34	957
Fee and commission expense	(31)	(28)	(21)	(31)	(111)
Net fee and commission income	122	319	402	3	846
Dividend, share in result of associates and joint ventures and other investment income	1	21	1	7	30
Realised capital gains (losses) on investments		11	3	83	97
Other realised and unrealised gains and losses	9	531	14	330	884
Other income	268	66	125	(300)	159
Total income, net of interest expense	**1,140**	**1,134**	**981**	**216**	**3,473**
Change in impairments	(59)	38	(32)	(17)	(70)
Net revenues	**1,081**	**1,172**	**949**	**199**	**3,403**
Expenses					
Staff expenses	(168)	(207)	(251)	(222)	(848)
Depreciation and amortisation of tangible and intangible assets	(1)	(5)	(8)	(49)	(63)
Other expenses	(174)	(126)	(148)	(395)	(843)
Allocation expense	(240)	(137)	(120)	497	
Total expenses	**(583)**	**(475)**	**(527)**	**(169)**	**(1,754)**
Profit before taxation	**498**	**697**	**422**	**31**	**1,649**
Income tax expense	(189)	(142)	(132)	(8)	(472)
Net profit for the period	**309**	**555**	**290**	**23**	**1,177**
Net profit attributable to minority interests		2		18	20
Net profit attributable to shareholders	**309**	**553**	**290**	**5**	**1,157**

12.5 Geographic segmentation

The Fortis Bank Nederland's activities are managed on a worldwide basis. The table below shows key figures based on the location of the Fortis Bank Nederland company that has entered into the transaction.

	Net Profit	Total income	Number of Employees [1]	Total assets
31 December 2007				
Benelux	1,010	1,786	8,069	246,129
Other European countries	199	1,234	1,162	21,298
Asia	46	428	461	3,802
Other countries	41	178	311	1,149
Total	**1,296**	**3,626**	**10,003**	**272,378**

1) number of employees in Full Time Equivalents

	Net Profit	Total income	Number of Employees	Total assets
31 December 2006				
Benelux	946	2,894	7,967	182,800
Other European countries	140	408	1,262	21,422
Asia	36	91	414	3,995
Other countries	35	80	306	1,532
Total	**1,157**	**3,473**	**9,949**	**209,749**
31 December 2005				
Benelux	895	2,694	7,571	156,837
Other European countries	101	327	1,162	10,031
Asia	28	66	341	2,438
Other countries	25	66	385	1,565
Total	**1,049**	**3,153**	**9,459**	**170,871**

Fortis Bank Nederland (Holding) N.V.
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:

	2007	2006	2005
31 December			
Cash on hand	106	119	119
Balances with central banks readily convertible in cash			
other than mandatory reserve deposits	114	63	1,136
Due from banks	34,473	17,782	4,733
Due from customers, current accounts	4,234	3,462	5,523
Other	342	649	1,997
Total	**39,269**	**22,075**	**13,508**
Less: impairments incurred but not reported (IBNR)			
Total Cash and cash equivalents	**39,269**	**22,075**	**13,508**

The average book value of Cash and cash equivalents for 2007 amounted to EUR 27,685 million (2006: EUR 13,767 million; 2005: EUR 19,385 million). The average yield in 2007 was 2.5% (2006: 2.2%; 2005: 1.3%).

14. Assets and liabilities held for trading

14.1 Assets held for trading

31 December	2007	2006	2005
Debt securities:			
- Corporate debt securities	148	180	1,408
Equity securities	15,825	19,017	11,266
Total trading securities	**15,973**	**19,197**	**12,674**
Derivatives held for trading			
Over the counter (OTC)	7,057	4,180	4,327
Exchange traded	76	15	3
Total trading derivatives	**7,133**	**4,195**	**4,330**
Other assets held for trading	11	1	
Total Assets held for trading	**23,117**	**23,393**	**17,004**

Details of the derivative financial instruments are shown in note 31.

14.2 Liabilities held for trading

The table below shows the composition of Liabilities held for trading.

31 December	2007	2006	2005
Short security sales:			
- fair value supported by observable market data	44,725	29,756	17,485
- fair value obtained through a valuation technique		1	731
Short security sales	44,725	29,757	18,216
Derivative financial instruments:			
- Over the counter (OTC)	7,723	3,204	2,959
- Exchange traded	16		3
Total derivatives held for trading	7,739	3,204	2,962
Other liabilities held for trading	2		14
Total Liabilities held for trading	**52,466**	**32,961**	**21,192**

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.

	2007	2006	2005
Trading securities (assets):			
Fair values of trading securities supported by observable market data	15,973	19,197	12,625
Fair values of trading securities obtained through a valuation technique			49
Total	**15,973**	**19,197**	**12,674**
Short security sales (liabilities):			
Fair value supported by observable market data	44,725	29,756	18,216
Fair value obtained through a valuation technique		1	
Total	**44,725**	**29,757**	**18,216**

For details on the calculation of fair values see note 32.

15. Due from banks

Due from banks consists of the following:

	2007	2006	2005
31 December			
Interest-bearing deposits	3.037	4,345	2,666
Loans and advances	1.334	769	657
Securities borrowing transactions	32.942	21,129	13,785
Mandatory reserve deposits with central banks	1.453	829	115
Other	3		42
Total	**38.769**	**27,072**	**17,265**
Less impairments:			
- specific credit risk	(1)		
- incurred but not reported (IBNR)		(1)	(2)
Total Due from banks	**38,768**	**27,071**	**17,263**

The average carrying amount of Due from banks in 2007 was EUR 39,341 million (2006: EUR 28,027 million; 2005: EUR 23,622 million). The average yield in 2007 was 4.9% (2006: 4.0%; 2005: 3.6%).

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 operates. Together with the amount that is reported under Cash and cash equivalents, the total balance held with central banks came to EUR 1,567 million at year end 2007 (2006: EUR 893 million, 2005: EUR 1,251 million). The average outstanding balance with central banks (Cash and cash equivalents + Due from banks) during 2007 amounted to EUR 1,499 million (2006: EUR 1,062 million; 2005: EUR 1,248 million).

Impairments on Due from banks

Changes in the impairments on Due from banks are as follows:

	2007		2006	
	Specific credit risk	IBNR	Specific credit risk	IBNR
Balance as at 1 January		**1**		**2**
Increase in impairments				2
Release of impairments		(1)		(3)
and other adjustments	1			
Balance as at 31 December	**1**			**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	2007	2006	2005
Government and official institutions	1,782	1,576	1,478
Residential mortgage	63,873	60,682	54,906
Consumer loans	3,193	4,892	4,541
Commercial loans	40,310	32,444	30,727
Securities borrowing transactions	20,811	23,493	16,035
Financial lease receivables	265	288	239
Factoring	1,913	1,532	1,181
Other loans	282	40	88
Held at fair value through profit or loss		4	1
Fair value adjustment from hedge accounting	(1,063)	(451)	111
Total	**131,366**	**124,500**	**109,307**
Less impairments:			
- Specific credit risk	(346)	(390)	(453)
- incurred but not reported (IBNR)	(49)	(72)	(79)
Total Due from customers	**130,971**	**124,038**	**108,775**

In 2007 the average amount of Due from customers was EUR 136,834 million (2006: EUR 117,248 million; 2005: EUR 105,080 million). The average yield in 2007 was 5.3% (2006: 5.5%; 2005: 5.0%).

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 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 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 lease minimum payments receivable
	2007	2006	2005	2007	2006	2005
Gross investment in financial leases:						
Not later than 3 months	36	20	20	32	20	14
Later than 3 months and not later than 1 year	57	33	41	56	32	28
Later than 1 year and not later than 5 years	114	200	187	103	173	143
Later than 5 years	74	63	65	74	63	54
Total	**281**	**316**	**313**	**265**	**288**	**239**
Unearned finance income	16	28	74			

Impairments on Due from customers

The following table shows the changes in impairments on Due from customers.

		2007		2006
	Specific credit risk	IBNR	Specific credit risk	IBNR
Balance as at 1 January	**390**	**72**	**453**	**79**
Increase in impairments	225	7	199	21
Release of impairments	(161)	(33)	(127)	(28)
Write-offs of uncollectible loans	(115)		(124)	
Foreign exchange differences and other adjustments	7	3	(11)	
Balance as at 31 December	**346**	**49**	**390**	**72**

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:

	2007	2006	2005
31 December			
Investments			
- Held to maturity	35	33	
- Available for sale	3,209	3,798	6,743
- Held at fair value through profit or loss	123	179	153
- Investment property	79	3	4
- Investments in associates and joint ventures	25,733	906	820
Total, gross	**29,179**	**4,919**	**7,720**
Impairments:			
- on investments available for sale	(8)	(3)	(2)
Total impairments	**(8)**	**(3)**	**(2)**
Total Investments	**29,171**	**4,916**	**7,718**

17.1 Investments held to maturity

The amortised cost and estimated fair value of Fortis Bank Nederland's Investments held to maturity as at 31 December are as follows:

	2007		2006	
	Carrying amount	Fair values	Carrying amount	Fair values
Government bonds	35	35	33	33
Total investments held to maturity	**35**	**35**	**33**	**33**

There were no impairments on Held to maturity investments at 31 December 2007, 2006 and 2005.

	Historical/ amortised cost	Gross unrealised gains	Gross unrealised losses	Impairments	Fair values
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 Investments	**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	77	96			173
Total Investments	**3,644**	**155**	**(1)**	**(3)**	**3,795**
31 December 2005					
Treasury bills and other eligible bills					
Government bonds	2,039	123	(1)		2,161
Corporate debt securities	4,180	4	(2)		4,182
Structured credit intruments	2				2
Private equities and venture capital	59	15	(1)	(1)	72
Equity securities	5	6	(4)		7
Other investments	183	135		(1)	317
Total Investments	**6,468**	**283**	**(8)**	**(2)**	**6,741**

Government bonds detailed by country of origin

The government bonds detailed by country of origin are as follows as at 31 December:

	Historical/ amortised cost	Gross Unrealised gains (losses)	Impairments	Fair values
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**
31 December 2005				
Belgian national government	354	20	5	379
Dutch national government	1,408	92		1,500
Italian national government	144	3		147
Spanish national government	77	7		84
Other national governments	56		(5)	51
Total	**2,039**	**122**		**2,161**

Net unrealised gains and losses on Available for sale investments included in equity

	2007	2006
31 December		
Available for sale investments in equity securities and other investments:		
Carrying amount	206	255
Gross unrealised gains and losses	114	109
- Related tax	(25)	(24)
Net unrealised gains and losses	**89**	**85**
Available for sale investments in debt securities:		
Carrying amount	2,994	3,540
Gross unrealised gains and losses		45
- Related tax		(11)
Net unrealised gains and losses		**34**

Available for sale investments in equity securities include private equities, venture capital and all other investments, excluding debt securities.

	2007	2006	2005
Balance as at 1 January	**2**	**2**	**8**
Increase in impairments	7	2	
Release of impairments		(2)	(1)
Reversal on sale/disposal	(1)		(5)
Balance as at 31 December	**8**	**2**	**2**

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.

	2007	2006	2005
31 December			
Private equities and venture capital	123	179	153
Investments held at fair value through profit or loss	**123**	**179**	**153**

In the Merchant Banking segment, some investments made by private equity entities of Fortis Bank Nederland 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 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.

	2007	2006	2005
	Carrying amount	Carrying amount	Carrying amount
Joint ventures			
SR Hypotheken	47	43	40
Associates			
RFS Holdings B.V.	24,201		
BAFB	990		
Debra International Finance Cooperatiëve UA	210	210	210
NIB Capital Foreign Debt fund V	150	527	347
PARTSHIP HOLDING B.V.	24		
Caipora International Finance	107	107	107
Stellar Martime		17	20
Textainer			54
CF- Leasing			25
RFH Ltd			14
Other	4	2	4
Total Investments	**25,733**	**906**	**820**

RFS Holdings B.V. is the acquirer of ABN-AMRO shares in which Fortis Bank Nederland has a participation of 33,8% (see note 18).

Fortis Bank Nederland's interests in its principal associates for the year ended 31 December are as follows:

	Total Assets	Total income
2007		
BAFB	1008	21
Caipora International Finance Cooperatieve UA	429	35
Debra International Finance Cooperatieve UA	838	64
NIB Capital Foreign Debt fund V	200	21
2006		
Caipora International Finance Cooperatieve UA	429	17
Debra International Finance Cooperatieve UA	838	37
NIB Capital Foreign Debt fund V	702	15
2005		
Caipora International Finance Cooperatieve UA	429	15
Debra International Finance Cooperatieve UA	838	43
NIB Capital Foreign Debt fund V	462	20

For information on RFS Holdings B.V. we refer to note 18.

18. Acquisition of ABN-AMRO

On 17 October 2007, Fortis acquired together with Royal Bank of Scotland (RBS) and Santander (together the Banks) ABN AMRO. The acquisition took place through a public offer for 100% of the issued and outstanding share capital of ABN AMRO.

On 10 October 2007, the Banks declared the Offer unconditional because as of the expiration of the Offer Period, 1,590,339,614 ABN AMRO ordinary shares, representing approximately 86% of ABN AMRO's share capital, had been tendered in the Offer. In accordance with normal practice in the Netherlands, a subsequent offering period was provided for the holders of ABN AMRO ordinary shares who had not yet accepted the Offer. On 2 November 2007, following the expiration of the subsequent offering period, the Banks announced that a total of 1,826,332,482 ABN AMRO ordinary shares were tendered to the Offer, representing 98.8% of ABN AMRO ordinary shares.

The acquisition was the conclusion of a bid process that started in March 2007 and that was legally accomplished through RFS Holdings B.V., an entity jointly owned by the Banks and that was set up specifically for this purpose.

Fortis Bank Nederland, RBS and Santander have shareholdings in RFS Holdings that are equal to their proportionate funding commitments. The capital and income rights of the classes of shares that were issued to Fortis Bank Nederland, RBS and Santander, are respectively linked to the net assets and income of the business units which the relevant shareholder is acquiring in line with the Consortium and Shareholders' Agreement (principle of 'tracking shares'). The class of shares, which has been issued to Fortis Bank Nederland, RBS and Santander in proportion to their funding commitments, reflects their pro rata interests in the businesses, assets and liabilities that are not being acquired by any of them individually (Shared assets).

The total consideration paid by the Banks to ABN AMRO shareholders was EUR 71.1 billion. Of this total, Fortis Bank Nederland contributed 33.8% or EUR 24 billion.

18.1 Business units acquired

Fortis Bank Nederland acquired the following business units of ABN AMRO (the acquired ABN AMRO businesses):

- the ABN AMRO Business Unit Netherlands (excluding former Dutch wholesale clients, Interbank and DMC Consumer Finance);
- the ABN AMRO Private Clients Business Unit (excluding Latin America);
- the ABN AMRO Asset Management Business Unit;
- a part of the shared assets, equal to Fortis Bank Nederland's share in the entire acquisition of ABN AMRO; and
- the ABN AMRO brand name.

The activities of the business units can be described as follows:

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

The ABN AMRO Business Unit Netherlands serves consumer and commercial banking clients in The Netherlands. This Business Unit has a staff of approximately 21,000 people operating through a network of 561 bankshops, 65 advisory branches, three dedicated mid-market corporate client units, two large corporate client wholesale centers and four integrated call centres. Business Unit Netherlands also operates approximately 1,600 ATMs and internet and mobile channels and is active in the intermediary market.

Business Unit Private Clients
The Business Unit Private Clients provides private banking services to wealthy individuals and institutions with EUR 1 million or more in net assets to invest. In 2006, it employed a staff of approximately 3,300 people, operating through 103 offices in 23 countries.

Business Unit Asset Management
The Business Unit Asset Management provides asset management services directly to institutional clients (such as central banks, pension funds, insurance companies and leading charities) and to private investors through ABN AMRO's consumer and private banking arms and through third-party distributors such as insurance companies and other banks. It employs approximately 1,500 staff and operates in 26 countries worldwide.

Fortis Bank Nederland received approval from the European Commission for the acquisition of ABN AMRO. As part of the approval, the Commission has imposed some conditions on Fortis Bank Nederland to address certain competition concerns in the Commercial Banking segment in the Netherlands. The "remedies" requested by the Commission consist of a post-acquisition divestment package relating to specified parts of the Business Unit Netherlands of ABN AMRO. A key element is the proposed sale of Hollandsche Bank Unie N.V. (an independent and separately licensed commercial bank), 13 advisory branches and two Corporate Client Departments and the sale of the Dutch factoring company IFN Finance B.V.

The scope of these divestments represents around 10% in term of assets, income and initially projected revenue and cost synergies of the part of Business Unit Netherlands acquired by Fortis Bank Nederland.

18.2 Integration process and next steps
In November 2007 Jean-Paul Votron, CEO of Fortis, Sir Fred Goodwin (CEO of RBS) and Juan Iniciarte (General Manager of Santander) joined the Supervisory Board of ABN AMRO. In addition, a revised Managing Board was set up within ABN AMRO. The Managing Board is headed by Mark Fisher from RBS with Fortis Executive Committee former member Karel de Boeck as Vice-president (Karel de Boeck stepped down as Executive Committee member after his appointment to the ABN AMRO Managing Board).

A transition process has been developed with detailed plans for the separation of businesses in order to minimise the uncertainty for staff and other stakeholders. In each function and Business Unit, the Managing Board has created a Transition Steering Group ('TSG'). Every TSG comprises the relevant functional experts/managers seconded to ABN AMRO Group from the appropriate Consortium members for the period of the transition and the relevant ABN AMRO Group functional executive/business manager.

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

All the TSG's report to a Transition Management Committee which is a sub committee of the Managing Board. It is responsible for reviewing and coordinating the individual plans in order to create an integrated plan for the whole transition including appropriate risk management and control mechanisms.

The Banks intend to continue the close and continuous dialogue which has already been established with the Dutch central bank (DNB). In particular, relevant approvals will be obtained from DNB for each separation before implementation. Fortis Bank Nederlan already welcomed the permission from DNB concerning the proposed demerger of ABN AMRO Asset Management from ABN AMRO Bank. This demerger is expected to be completed at the end of the first quarter 2008.

18.3 Accounting aspects

In accordance with IAS 28 Investments in Associates, the shareholding of Fortis Bank Nederland in RFS Holdings is considered as an investment in an associate, representing an entity over which Fortis Bank Nederland has significant influence. RFS Holdings is consolidated as a subsidiary by RBS because of its control over RFS holdings. The minority interests owned by Fortis Bank Nederland is accounted for using the equity method. Under the equity method, the investment in RFS Holdings is initially recognised at cost and the carrying amount is increased or decreased to recognise Fortis Bank Nederland's share in the profit or loss and net assets of RFS Holdings after the date of acquisition.

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

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

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

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

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

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

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

There were no major measurement differences between the accounting principles applied by ABN AMRO and the accounting principles applied by Fortis Bank Nederland and as such not resulting in significant adjustments to the carrying value of assets and liabilities.

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

Intangible assets include an amount of EUR 195 million relating to intangible assets previously accounted for by ABN AMRO. Additionally, an amount of EUR 2,880 million has been recognised in relation to the application of IFRS 3 Business combinations.

At this moment, Fortis Bank Nederland has initially recognised the following intangible assets according to IFRS 3: core deposits, core overdrafts, client relations and the brand name.

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

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

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

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

The provisional purchase accounting applied on the assets and liabilities of the acquired ABN AMRO businesses and the part of Fortis Bank Nederland in the shared assets, currently results in a goodwill of EUR 19,4 billion (EUR 24 billion acquisition price and EUR 4.6 billion net assets)

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

Int the Consortium and Shareholders' Agreement (CSA), the partners guaranteed each other a minimum core equity to risk weighted assets of at least 4.95% for the businesses acquired by the individual partners as of 31 December 2006. Based on the provisional figures and according to the CSA, Fortis Bank Nederland is entitled to capital support of the Consortium partners. The capital support can be structured in the form of an exchange of capital relief transactions or a subscription to core equity by the home regulators. The capital support to Fortis Bank Nederland, together with the anticipated impact of the EU remedies, will lead to a transfer of around EUR 3 billion.

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

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

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

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

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

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

19. Other receivables

The table below shows the components of other receivables as at 31 December.

	2007	2006	2005
31 December			
Fees and commissions receivable	31	37	51
Factoring receivables	1,959	1,676	1,504
Receivables related to security transactions with banks	30	210	
Receivables related to security transactions with customers	1,256	784	1,040
Other	164	228	71
Total	**3,440**	**2,935**	**2,666**
Impairments	(5)	(15)	(25)
Total Other receivables	**3,435**	**2,920**	**2,641**

Other receivables include receivables related to VAT and other indirect taxes as well as transitory balances related to clearing activities.

20. Property and equipment

The table below shows the carrying amount for each category of Property and equipment as at 31 December.

	2007	2006	2005
31 December			
Land and buildings held for own use	129	134	140
Leasehold improvements	146	138	93
Equipment	93	99	86
Buildings under construction		14	
Total Property and equipment	**368**	**385**	**319**

Changes in Property and equipment

Changes in Property and equipment for the years 2006 and 2007 are shown below.

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			2		2
Accumulated depreciation as at 31 December	**(35)**	**(121)**	**(276)**		**(432)**
Impairments as at 1 January	**(4)**	**(1)**			**(4)**
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**

	Land and Buildings held for own use	Leasehold improve-ments	Equipment	Buildings under construction	Total
					2006
Acquisition cost as at 1 January	**179**	**169**	**330**		**678**
Acquisitions/divestments of subsidiaries				14	14
Additions		84	51		135
Reversal of cost due to disposals		(2)	(9)		(11)
Foreign exchange differences			(2)		(2)
Other		(2)	9		7
Acquisition cost as at 31 December	**179**	**249**	**379**	**14**	**821**
Accumulated depreciation as at 1 January	**(38)**	**(76)**	**(244)**		**(358)**
Acquisitions/divestments of subsidiaries					
Depreciation expense	(4)	(18)	(35)		(57)
Reversal of depreciation due to disposals		1	8		9
Foreign exchange differences			1		1
Other		(17)	(10)		(27)
Accumulated depreciation as at 31 December	**(42)**	**(110)**	**(280)**		**(432)**
Impairments as at 1 January	**(2)**				**(2)**
Increase in impairments charged to the income statement	(2)	(1)			(3)
Other	1				1
Impairments as at 31 December	**(4)**	**(1)**			**(4)**
Property and equipment as at 31 December	**134**	**138**	**99**	**14**	**385**

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	2007	2006
Total fair value of Land and buildings held for own use	**227**	**224**
Total carrying amount	129	134
Gross unrealised gain/loss	98	90
Taxation	(25)	(24)
Net unrealised gain/loss (not recognised in equity)	**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 lives. The real estate is split into the following components: structure, closing, techniques and equipment, heavy finishing and light finishing.

The maximum useful live 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 lives, which have been determined individually. As a general rule, residual values are considered to be zero.

21. Goodwill and other intangible assets

Goodwill and other intangible assets as at 31 December are as follows:

31 December	2007	2006	2005
Goodwill	193	213	109
Purchased software	10	6	13
Internally developed software	21	8	
Other intangible assets		1	17
Total Goodwill and other intangible assets	**224**	**228**	**139**

Intangible assets are amortised in accordance with the expected lives 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 lives, 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 does not have intangible assets with indefinite useful lives.

Changes in Goodwill and other intangible assets

Changes in Goodwill and other intangible assets for the years 2007 and 2006 are shown below.

	2007			
	Goodwill	Purchased software	Internally developed software	Total
Acquisition cost as at 1 January	**213**	**61**	**8**	**282**
Acquisitions/divestments of subsidiaries	(7)	(1)		(8)
Additions		8	13	21
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**

	2006		
	Goodwill	Software and other intangible assets	Total
Acquisition cost as at 1 January	**109**	**78**	**187**
Acquisitions/divestments of subsidiaries	7		7
Additions	83	12	95
Reversal of cost due to disposals		(2)	(2)
Foreign exchange differences	(1)		(1)
Other	15	(19)	(4)
Acquisition cost as at 31 December	**213**	**69**	**282**
Accumulated amortisation as at 1 January			
Acquisitions/divestments of subsidiaries		(49)	(49)
Amortisation expense		(6)	(6)
Reversal of amortisation due to disposals		2	2
Foreign exchange differences			
Other		(1)	(1)
Accumulated amortisation as at 31 December		**(54)**	(54)
Goodwill and other intangible assets	**213**	**15**	**228**

Other mainly relates to a transfer of other intangible assets to goodwill.

Additions of goodwill in 2006 relates to the valuation per 31 December 2006 of the subsequent purchase price of Fortis Bank Channel Islands.

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.

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 2007 is as follows:

	Goodwill amount	Segment	Method used for recoverable amount
Cash-generating unit (CGU)			
Fortis Bank CI Limited	62	Merchant & Private Banking	Value in use
Fortis Intertrust	62	Merchant & Private Banking	Value in use
Fortis Commercial Finance	23	Merchant & Private Banking	Value in use
Fortis Prime Fund Solutions	6	Merchant & Private Banking	Value in use
Fortis Factoring	7	Merchant & Private Banking	Value in use
Atradius Factoring	22	Merchant & Private Banking	Value in use
MeesPierson Private & Trust Holding	4	Merchant & Private Banking	Value in use
Fortis Intertrust Management Service	6	Merchant & Private Banking	Value in use and market price
Other	1		Value in use
Total	193		

22. Accrued interest and other assets

The table below shows the components of Accrued interest and other assets as at 31 December.

	2007	2006	2005
31 December			
Deferred acquisition cost			
Deferred other charges	8		
Accrued interest income	2,094	2,881	2,069
Accrued other income	1,691		
Derivatives held for hedging purposes	729		
Buildings held for sale			
Defined benefit assets	3		
Deferred tax assets	158	198	436
Current income tax receivable	219	146	50
Other	2,155	1,498	949
Total	**7,057**	**4,723**	**3,504**
Impairments	(2)		
Total Accrued interest and other assets	**7,055**	**4,723**	**3,504**

Derivatives held for hedging purposes contains 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 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.

23. Due to banks

The table below shows the components of Due to banks.

	2007	2006	2005
31 December			
Deposits from banks:			
Demand deposits	10,093	12,407	13,778
Time deposits	35,984	37,649	32,700
Other deposits	12	18	46
Total deposits	**46,089**	**50,074**	**46,524**
Repurchase agreements	243		
Securities lending transactions	24,768	19,921	11,837
Other	211	149	239
Due to banks	**71,311**	**70,144**	**58,600**

The average balance of Due to banks amounted to EUR 82,823 million (2006: EUR 64,875 million; 2005: EUR 71,752 million). The average yield was 4.2 % in 2007 (2006: 6.6%; 2005: 5.6%). Non-interest bearing deposits from banks were EUR 2 million in 2007 (2006: EUR 0 million; 2005: EUR 8 million).

Contractual terms of deposit held by banks

Deposits held by banks by year of contractual maturity as at 31 December are as follows:

	2007	2006	2005
2006			44,198
2007		48,382	210
2008	44,785	1,348	1,807
2009	1,029	26	1
2010	2	2	1
2011			
2012	211		
Later	62	316	307
Total deposits	**46,089**	**50,074**	**46,524**

24. Due to customers

The components of Due to customers are as follows:

31 December	2007	2006	2005
Demand deposits	31,759	30,323	31,008
Saving deposits	8,232	8,688	10,488
Time deposits	18,674	14,339	9,466
Other deposits	48	5	101
Total deposits	**58,713**	**53,355**	**51,063**
Repurchase agreements			
Securities lending transactions	4,181	3,666	521
Other borrowings	7,096	6,835	34
Total due to customers	**69,990**	**63,856**	**51,618**

The average balance of Due to customers amounted to EUR 68,267 million in 2007 (2006: EUR 59,561 million; 2005: EUR 49,582 million). The average yield was 5.0 % in 2007 (2006: 3.8%; 2005: 3.1%).

Maturity dates of customer deposits

The maturity dates of customer deposits as at 31 December are shown below.

	2007	2006	2005
2006			48,601
2007		51,200	472
2008	56,454	132	234
2009	240	169	305
2010	236	104	369
2011	156	81	
2012	83		
Later	1,544	1,669	1,082
Total customer deposits	**58,713**	**53,355**	**51,063**

25. Debt certificates

The following table shows the types of Debt certificates issued by Fortis Bank Nederland and the amounts outstanding as at 31 December.

	2007	2006	2005
31 December			
Savings certificates	102	103	207
Commercial paper	32,694	24,573	18,217
Other		668	838
Total at amortised cost	**32,796**	**25,344**	**19,262**
Held at fair value through profit or loss			
Total debt certificates	**32,796**	**25,344**	**19,262**

Compared to the Annual Financial Statement 2005 EUR 107 million regarding Non-voting preference shares in 2005 are restated as subordinated liabilities.

The average balance of Debt certificates amounted to EUR 27,074 million in 2007 (2006: EUR 21,529 million; 2005: EUR 18,762 million). The average yield was 5.0% in 2007 (2006: 3.4%; 2005: 3.2%).

The contractual maturity of the balance outstanding as at 31 December of Debt certificates valued at amortised cost, is shown below.

	2007	2006	2005
31 December			
2006			1,349
2007		4,454	3,371
2008	2,910	3,204	3,261
2009	7,678	6,674	5,359
2010	2,677	2,476	232
2011	5,225	4,042	
2012	11,414		
Later	2,892	4,494	5,690
Total debt certificates	**32,796**	**25,344**	**19,262**

26. Subordinated liabilities

The following table provides a specification of the Subordinated liabilities as at 31 December.

	2007	2006	2005
31 December			
Liability component of subordinated convertible securities	2,106		
Other hybrid and Tier 1 liabilities	548	557	552
Other subordinated liabilities	8,998	1,845	1,649
Total subordinated liabilities	**11,652**	**2,402**	**2,201**

Compared to the Annual Financial Statement 2005 EUR 107 million regarding Non-voting preference shares in 2005 are restated from Debt certificates to Tier-1 loans.

The average balance for Subordinated liabilities was EUR 4,367 million in 2007 (2006: EUR 2,150 million; 2005: EUR 1,933 million). The average yield was 4.5% in 2007 (2006: 4.6%; 2005: 5.0%).

26.1 Subordinated convertible securities: MCS

On 7 December 2007, Fortis Bank Nederland (Holding), Fortis Bank nv-sa, 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.

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), Fortis Bank nv-sa, Fortis SA/NV and Fortis N.V.
The MCS is subordinated to all other loans, subordinated loans and preference shares, but ranks senior to ordinary shares.

The MCS will be mandatorily converted 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.
A conversion of the debt instrument into Fortis shares will be followed by a recapitalisation of Fortis Bank Nederland (Holding).

The MCS is recorded in the balance sheet as at 31 December as follows:

	2007
Equity component	**(131)**
Liability component	
Balance at 1 January	
Issued	2.107
Interest expense	11
Interest paid	(12)
Balance at 31 December	**2.106**

26.2 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-voting preference shares of EUR 98 million (in Annual Financial Statement 2005 reported as Debt Certificates)

Non-cumulative non-voting perpetual preference shares

In June 1999 Fortis Bank Nederland 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 tranches:

- a tranche 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. After 10 years and once a year in subsequent years Fortis Bank Nederland has the opportunity to redeem the instrument for cash on a distribution date.
- a tranche of EUR 200 million with a fixed coupon of 7.00% for the entire duration. Fortis Bank Nederland redeemed this tranche in early 2004.

The preference shares have the benefit of a Support Agreement, pursuant to which Fortis Bank, Fortis Bank Nederland (Holding) N.V., Fortis N.V. and Fortis SA/NV (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 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 hybrid securities, with full recourse against the Supporting Companies. This could theoretically lead to a situation where, even if the Supporting Companies were to have sufficient aggregate distributable reserves to pay a dividend on their own capital stock, this payment would trigger a payment obligation under the Support Agreement for which their distributable reserves would not be adequate.

As a condition for its acceptance of the hybrid securities constituting Tier 1 capital of Fortis Bank, the supervisory authorities have therefore requested that appropriate measures be put in place to ensure that any payments to be made by Fortis SA/NV or Fortis Bank under the Support Agreement as triggered by a dividend payment on their own shares be capped to the level of the aggregate distributable reserves of the Supporting Companies. To meet this condition, the Board of Directors has decided that Fortis SA/NV will not declare a dividend on its ordinary shares or on its preference shares or other capital instruments (if applicable) unless the aggregate of the distributable reserves of the Supporting Companies is sufficient to cover all dividend payments relating to their respective ordinary shares, preference shares or other capital instruments, as well as any amounts payable in the same financial year pursuant to their obligations under the Support Agreement.

Non-voting perpetual preference shares of EUR 98 million

Fortis Bank Nederland issued in 1975 (class B-preference shares) and in 1979 (class E-preference shares) for a total amount of EUR 107 million. The regulators consider these shares as Tier-1 capital. The preference shares are ultimately owned by Fortis Bank. The average coupon of the preference shares is 5.3% (2006: 5.3%; 2005: 5.3%).

In 2007 EUR 9 million of these preference shares are converted to normal shares. In 2008 the remainder of these preference shares will be converted to normal shares.

26.3 Other subordinated liabilities

A total of EUR 7.0 billion subordinated liabilities were obtained from Fortis Bank SA to finance the acquisition of ABN-AMRO divided in:

- EUR 3.0 billion Upper Tier 2: a perpetual subordinated liability starting October 16, 2007: Euribor + 1.55% for the first 10 years, step up coupon of 3month Euribor + 2.55% thereafter;
- EUR 2.0 billion Lower Tier 2: a 10 years subordinated liability starting October 16, 2007: Euribor + 0.95% for the first 5 years, step up coupon of 3month Euribor + 1.45% thereafter;
- EUR 1.0 billion Lower Tier 2: a 10 years subordinated liability starting October 25, 2007: Euribor + 0.90% for the first 5 years, step up coupon of 3month Euribor + 1.40% thereafter;
- EUR 1.0 billion Lower Tier 2: a 10 years subordinated liability starting October 30, 2007: Euribor + 0.92% for the first 5 years, step up coupon of 3month Euribor + 1.42% thereafter;

27. Other borrowings

The table below shows the components of Other borrowings as at 31 December.

	2007	2006	2005
Total other borrowings	**1,371**	**903**	**4,335**

Other

Other borrowings, excluding finance lease obligations, are classified by remaining maturity in the table below.

	2007	2006	2005
Not later than 3 months	886	191	3,153
Later than 3 months and not later than 1 year	149	242	565
Later than 1 year and not later than 5 years	82	236	134
Later than 5 years	254	234	483
Total	**1,371**	**903**	**4,335**

28. Provisions

The table below shows the breakdown of Provisions as at 31 December.

	2007	2006	2005
31 December			
Credit commitments	6	11	14
Restructuring	5	14	15
Other	68	66	103
Total provisions	**79**	**91**	**132**

Provisions for credit commitments are allowances covering credit risk on Fortis Bank Nederland's credit commitments recorded off-balance that have been individually or on a portfolio basis identified as impaired. The amount of the impairment is the present value of the cash flows, which Fortis Bank Nederland 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's management. Restructuring provisions are related to the integration of recently acquired entities and to the further streamlining of the global Fortis organisation and infrastructure. Restructuring provisions include allowances for staff and other operating expenses.

The provisions for early departure programmes 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 provision for the plan to upgrade the quality of management, announced at the end of 2005, had a timescale of one year and the utilisation of this provision mainly explains the decrease in restructuring provisions in 2006.

Other provisions consist 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 2006	**14**	**15**	**103**	**132**
Acquisition and divestment of subsidiaries				
Increase of provisions	4		38	42
Reversal of unused provisions	(7)		(24)	(31)
Utilised during the year			(54)	(54)
Accretion of interest			1	1
Foreign exchange differences				
Other		(1)	2	1
At 31 December 2006	**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**

29. Current and deferred tax liabilities

The table below summarises the tax position as at 31 December:

	2007			2006			2005		
	Current	Deferred	Total	Current	Deferred	Total	Current	Deferred	Total
Assets	219	158	377	146	198	344	50	435	485
Liabilities	730	52	782	518	47	565	234	16	250

Tax assets are included under Accrued interest and other assets (see note 22).

The components of deferred tax assets and deferred tax liabilities as at 31 December are shown below.

	Balance sheet			Income statement		
	2007	2006	2005	2007	2006	2005
Deferred tax assets:						
Assets held for trading (trading securities /derivative financial instruments /other assets held for trading)		73	73	(73)		(4)
Liabilities held for trading (short security sales / derivative financial instruments /other liabilities held for trading)	(56)	(202)	268	33	(470)	(93)
Investments (HTM/AFS)			1			
Investment property	1	1	1			
Property and equipment	17	17	22		1	
Due from customers	26	20	38	6	(13)	
Impairments on loans	28	29	45	(1)	(16)	8
Debt certificates and subordinated liabilities						
Provisions for pensions and post-retirement benefits	238	236	237			(2)
Other provisions	17	16	52	1	(2)	(2)
Accrued expenses and deferred income		1	1			1
Unused tax losses	78	25	1	55	24	1
Other	13	131	70	(117)	94	(16)
Gross deferred tax assets	**362**	**347**	**809**	**(96)**	**(383)**	**(107)**
Unrecognised deferred tax assets	(76)	(23)		(56)	(23)	
Net deferred tax assets	**286**	**324**	**809**	**(152)**	**(406)**	**(107)**
Deferred tax liabilities related to:						
Assets held for trading (trading securities /derivative financial instruments /other assets held for trading)	256	(25)	33	(168)	(14)	(203)
Liabilities held for trading (short security sales / derivative financial instruments /other liabilities held for trading)						
Investments (HTM/AFS)	36	51	80	4	15	1
Property and equipment	7	7	8		(1)	(14)
Due from customers	60	58	119	13	(54)	40
Impairments on loans	7	5	16	(2)	(12)	
Debt certificates and subordinated liabilities						
Other provisions	75	72	73		1	(2)
Deferred policy acquisition costs	1	1				
Deferred expense and accrued income	1	2	1			
Tax exempt realised reserves						
Other	(264)	2	60	264	(33)	31
Total deferred tax liabilities	**179**	**173**	**390**	**111**	**(98)**	**(147)**
Deferred tax income (expense)				**(41)**	**308**	**(40)**
Net deferred tax	**107**	**151**	**419**			

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:

	2007	2006	2005
Deferred tax asset	158	198	435
Deferred tax liability	51	47	16
Net deferred tax	**107**	**151**	**419**

30. Accrued interest and other liabilities

The composition of Accrued interest and other liabilities as at 31 December is as follows:

31 December	2007	2006	2005
Deferred revenues	455	464	393
Accrued interest expense	3,160	2,893	2,199
Accrued other expenses	1,393	788	723
Derivatives held for hedging purposes		41	849
Defined benefit liabilities	270	374	258
Other employee benefit liabilities	210	201	312
Accounts payable	62	52	184
Due to agents, policyholders and intermediaries		1	2
VAT and other taxes payable	42	30	29
Dividends payable			
Due to reinsurers			
Other liabilities	3,921	2,542	2,545
Accrued interest and other liabilities	**9,513**	**7,386**	**7,493**

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 becomes a party to the contractual provisions of the instrument.

The line Other includes EUR 815 million (2006: EUR 0 million; 2005: EUR 0 million) regarding the carrying value of non-derivative financial instruments designated as hedging instruments in net investment hedges and EUR 0 million (2006: EUR 41 million; 2005: EUR 849 million) is related to non-derivative financial liabilities designated as hedging instruments in fair value hedges. The remainder of the line Other liabilities mainly consists of balancing temporary amounts between trade date and settlement date.

31. 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 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 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 lives 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 lives 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.

31.1 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
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 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	17	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
Total				**1,065**
Other			**29**	
Balance 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**

	Assets		Liabilities	
	Fair values	Notional amount	Fair values	Notional amount
2005				
Foreign exchange contracts				
Forwards and futures	477	47,256	497	47,277
Interest and currency swaps	31	470	29	469
Options	40	2,022	7	1,285
Total	**548**	**49,748**	**533**	**49,031**
Interest rate contracts				
Forwards and futures		235		235
Swaps	945	68,032	955	54,904
Options	156	5,676	176	6,629
Total	**1,101**	**73,943**	**1,131**	**61,768**
Commodity contracts				
Forwards and futures				
Swaps	20	349	20	349
Options				
Total	**20**	**349**	**20**	**349**
Equity/Index contracts				
Forwards and futures	1	14	66	118
Swaps	408	9,381	92	11,751
Options and warrants	2,252	2,579	1,089	2,522
Total	**2,661**	**11,974**	**1,247**	**14,391**
Credit derivatives				
Options				
Total				
Other		**8**	**31**	**31**
Balance at 31 December 2005	**4,330**	**136,022**	**2,962**	**125,570**
Fair values supported by observable market data	2,315		662	
Fair values obtained using a valuation model	2,015		2,300	
Total	**4,330**		**2,962**	
Over the counter (OTC)	4,326	135,988	2,928	125,507
Exchange traded	4	26	3	32
Other		8	31	31
Total	**4,330**	**136,022**	**2,962**	**125,570**

31.2 Derivatives held for hedging purposes

The Derivatives held for hedging are mainly related to fair value hedges. Fortis Bank Nederland 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 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
2007				
Interest rate contracts				
Swaps	729	31,326		31,326
Total	**729**	**31,326**		**31,326**
Balance 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

	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 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

	Assets		Liabilities	
	Fair values	Notional amount	Fair values	Notional amount
2005				
Interest rate contracts				
Swaps		15,864	849	15,864
Options				
Total		**15,864**	**849**	**15,864**
Balance at 31 December 2005		**15,864**	**849**	**15,864**
Fair values supported by observable market data				
Fair values obtained using a valuation model			849	
Total			**849**	
Over the counter (OTC)		15,864	849	15,864

32. 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 consolidated balance sheet. A description of the methods used to determine the fair value of financial instruments is given below.

	2007		2006		2005	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Assets						
Cash and cash equivalents	39,269	39,249	22,075	22,075	13,508	13,526
Due from banks	38,768	38,771	27,071	27,128	17,263	17,285
Due from customers	130,971	129,460	124,039	126,588	108,775	110,258
Investments held to maturity	35	35	33	33		
other receivables	3,435	3,435	2,920	2,921	2,641	2,641
Total financial assets	**212,478**	**210,950**	**176,138**	**178,725**	**142,187**	**143,710**
Liabilities						
Due to banks	71,311	71,544	70,144	70,420	58,600	59,132
Due to customers	69,990	69,006	63,856	63,344	51,618	51,346
Debt certificates	32,796	33,003	25,344	25,445	19,368	19,721
Subordinated liabilities	11,652	11,551	2,402	2,478	2,095	2,257
Other borrowings	1,371	1,383	903	903	4,335	4,437
Total financial liabilities	**187,120**	**186,487**	**162,649**	**162,590**	**136,016**	**136,893**

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 uses the following methods, in the order listed, in determining the fair value of financial instruments:

- quoted price in an active market;
- valuation techniques, and
- 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 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 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.

Fortis Bank Nederland (Holding) N.V.
Notes to the income statement

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.

	2007	2006	2005
Interest income			
Interest income on cash equivalents	679	307	258
Interest income on due from banks	7,048	4,224	2,110
Interest income on investments	217	283	307
Interest income on due from customers	5,911	5,307	4,475
Interest income on derivatives held for trading	4,041	2,716	1,344
Other interest income	1,273	695	399
Total interest income	**19,169**	**13,532**	**8,893**

The interest on impaired loans amounted in 2007 to EUR 27 million.

33.2 Interest expense

The following table shows the breakdown of Interest expenses by product for the year ended 31 December.

	2007	2006	2005
Interest expenses			
Interest expenses due to banks	6,321	4,260	2,398
Interest expenses due to customers	3,254	2,134	1,545
Interest expenses on debt certificates	1,352	726	623
Interest expenses on subordinated liabilities	197	99	67
Interest expenses on other borrowings	75	546	236
Interest expenses on liabilities held for trading and derivatives	5,120	3,133	1,542
Interest expenses on other liabilities	1,315	1,177	872
Total interest expenses	**17,634**	**12,075**	**7,283**

34. Dividend and other investment income

This table provides details of Dividend and other investment income for the year ended 31 December.

	2007	2006	2005
Dividend and other investment income			
Dividend income from equity securities	29	19	40
Rental income from investment property	8	1	5
Other investment income			3
Total dividend and other investment income	**37**	**20**	**48**

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:

	2007	2006	2005
Share in result of associates and joint ventures	**190**	**10**	**32**

Result of the participation of Fortis Bank Nederland in ABN-AMRO in 2007 is EUR 179 million (see note 18).

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:

	2007	2006	2005
Debt securities	13	7	53
Equity securities	60	86	50
Real estate	63		5
Subsidiaries, associates and joint ventures	(12)	4	53
Other	2		
Realised capital gains (losses) on investments	**126**	**97**	**161**

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.

	2007	2006	2005
Assets/liabilities held for trading and derivatives	378	626	241
Assets and liabilities held at fair value through profit or loss	57	73	36
Hedging results	152	185	210
Other			
Other realised and unrealised gains and losses	**587**	**884**	**487**

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.

	2007	2006	2005
Fee and commission income			
Securities and custodian services	404	239	217
Reinsurance commissions and inurance and investment fees	22	47	46
Asset management	314	325	286
Payment services	274	176	155
Guarantees and commitment fees	62	56	47
Other service fees	92	114	101
Total fee and commission income	**1,168**	**957**	**852**

38.2 Fee and commission expense

The components of Fee and commission expenses for the year ended 31 December are as follows:

	2007	2006	2005
Fee and commission expenses			
Securities	124	34	19
Intermediaries	23	14	15
Asset management fees	12	11	17
Payment services	45	44	45
Custodian fees	6	5	3
Other fee and commission expenses	32	3	5
Total fee and commission expenses	**242**	**111**	**104**

39. Other income

Other income includes the following elements for the year ended 31 December.

	2007	2006	2005
Other income			
Operating lease income	3	4	
Other	222	155	67
Total other income	**225**	**159**	**67**

40. Change in impairments

The Changes in impairments for the year ended 31 December are as follows:

	2007	2006	2005
Change in impairments on:			
Cash and cash equivalents			
Due from banks	(1)	(1)	
Due from customers	38	67	53
Credit commitments – banks			
Credit commitments – customers	(5)	(3)	4
Investments in debt securities			
Investments in equity securities and other	7	1	(1)
Investment property			
Investments in associates and joint ventures			(1)
Other receivables		2	4
Property and equipment		4	5
Goodwill and other intangible assets			
Accrued interest and other assets	2		
Total change in impairments	**41**	**70**	**62**

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:

	2007	2006	2005
Depreciation on tangible assets			
Buildings held for own use	4	4	4
Leasehold improvements	17	18	15
Investment property	1		
Equipment	34	35	33
Purchased software	4	4	6
Other intangible assets		2	
Depreciation and amortisation of tangible and intangible assets	**60**	**63**	**58**

42. Staff expenses

Staff expenses for the year ended 31 December are as follows:

	2007	2006	2005
Staff expenses			
Salaries and wages	747	720	641
Social security charges	68	49	67
Pension expenses relating to defined benefit plans	31	35	85
Defined contribution plan expenses	26	41	29
Other	83	3	101
Total staff expenses	**955**	**848**	**923**

Other includes the costs for non-monetary benefits such as medical costs, termination benefits and restructuring costs.

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.

43. Other expenses

Other expenses for the year ended 31 December are as follows:

	2007	2006	2005
Other expenses			
Operating lease rental expenses and related expenses	100	92	63
Professional fees	70	76	63
Marketing and public relations costs	54	54	59
Information technology costs	145	146	120
Other investment charges			1
Maintenance and repair expenses	31	33	20
Other	510	442	339
Total other expenses	**910**	**843**	**664**

The line Other includes expenses for travel, post, telephone, temporary staff, consultants and training.

44. Income tax expenses

The components of Income tax expenses for the year ended 31 December are:

	2007	2006	2005
Current tax expenses for the current period	272	149	410
Adjustments recognised in the period for current tax of prior periods	16	22	13
Previously unrecognised tax losses, tax credits and Temporary differences increasing (reducing) current tax expenses	17	(7)	
Total current tax expenses	**305**	**164**	**423**
Deferred tax arising from the current period	(21)	257	(52)
Impact of changes in tax rates on deferred taxes		25	7
Deferred tax arising from the write-down or reversal of a write-down of a deferred tax asset	60	24	(1)
Previously unrecognised tax losses, tax credits and Temporary differences reducing deferred tax expense	2	2	
Total deferred tax expenses	**41**	**308**	**(46)**
Total income tax expenses	**346**	**472**	**377**

Profit before taxation includes income items on which no income tax is payable as well as expenses which are not tax deductible.

Below is a reconciliation of the expected to the actual income tax expense. This rate was 25.5% in 2007 (2006: 29.6%; 2005: 31.5%)

	2007	2006	2005
Profit before taxation	1,660	1,649	1,446
Applicable tax rate	25.5%	29.6%	31.5%
Expected income tax expense	423	488	456
Increase (decrease) in taxes resulting from:			
Tax exempt income	(154)	(103)	(113)
Share in result of associates and joint ventures	(47)	(1)	(1)
Disallowed expenses	(6)	3	(1)
Previously unrecognised tax losses and temporary differences	(2)	11	(2)
Write-down and reversal of write-down of deferred tax assets	87	41	34
Impact of changes in tax rates on temporary differences		25	7
Foreign tax rate differential	5	(14)	(10)
Adjustments for current tax of prior years	16	22	7
Other	24		
Actual income tax expenses	**346**	**472**	**377**

Fortis Bank Nederland (Holding) N.V.
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'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 to a third party for a customer's foreign or domestic trade or are conditional commitments issued by Fortis Bank Nederland to guarantee the performance of a customer to a third party. Fortis Bank Nederland 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 at 31 December.

	2007	2006
Credit related commitments		
Government and official institutions	604	394
Credit institutions	1,001	349
Corporate	33,535	40,418
Retail	10,614	9,423
Other		784
Total	**45,757**	**51,368**

Of these commitments around EUR 7,598 million have a maturity of more than one year (2006: EUR 4,116 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 following table describes the impairments related to credit commitments as at 31 December.

	2007	2006	2005
Specific credit risk			
Incurred but not reported (IBNR)	6	11	14
Total	**6**	**11**	**14**

46. Contingent liabilities

Like any other financial institution, Fortis Bank Nederland 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 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, and when the amount can be reasonably estimated.

In respect of further claims and legal proceedings against Fortis Bank Nederland 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) Consolidated Financial Statements.

In the Netherlands, Fortis Bank Nederland is involved in a number of legal proceedings concerning Groeivermogen products (equity lease products), launched either by individuals or by consumer protection associations against some Fortis operating companies. The claims are based on one or more of the following allegations: violation of the 'duty of care', absence of second signature or absence of license to sell the products concerned. The present assessment of the legal risk involved in these proceedings does not give rise to material provisions to be set up within Fortis Bank Nederland.

47. Lease agreements

Fortis Bank Nederland 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.

	2007	2006	2005
Not later than 3 months	1		
Later than 3 months and not later than 1 year	4	2	8
Later than 1 year and not later than 5 years	7	11	11
Later than 5 years			
Total	**12**	**13**	**19**

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 earns a management or advice fee. Discretionary capital (capital actively managed by Fortis Bank Nederland) as well as advisory capital are included in funds under management.

Eliminations in the various tables relates to the funds under management of clients invested in funds managed by Fortis that otherwise would be counted double.

The following table provides a breakdown of Assets under management by investment type and origin.

	2007	2006	2005
31 December			
Investments for own account:			
- Debt securities	3,029	3,575	6,345
- Equity securities	330	431	549
- Real estate	79	3	4
- Other	25,733	907	820
Total investments for own account	**29,171**	**4,916**	**7,718**
Funds under Management:			
- Debt securities	14,774	13,749	12,064
- Equity securities	18,229	19,331	14,660
- Real estate		4	6
- Eliminations	(2,530)	(2,376)	
Total funds under management	**30,473**	**30,708**	**26,730**
Total assets under management	**59,644**	**35,624**	**34,448**

Changes in funds under management by segment are shown below.

	Retail Banking Network	Merchant & Private Banking Clients	Merchant & Private Banking Skills	Other	Eliminations	Total
Balance at 31 December 2006	**1,179**	**30,580**	**854**	**471**	**(2,376)**	**30,708**
In/out flow	(105)	(776)	(67)	(91)	(85)	(1,124)
Market gains /losses	(36)	2,159	30		(72)	2,081
Other		(470)	(725)		3	(1,192)
Balance at 31 December 2007	**1,038**	**31,493**	**92**	**380**	**(2,530)**	**30,473**

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

There have been no material events after the balance sheet date that would require adjustment to the Fortis Bank Nederland (Holding) Consolidated Financial Statements as at 31 December 2007.

50. Statement of the Supervisory Board

The Supervisory Board of Fortis Bank Nederland is responsible for preparing the Fortis Bank Nederland (Holding) Consolidated Financial Statements in accordance with International Financial Reporting Standards as adopted by the European Union as well as with the European Transparency Directive (2004/109/EC) at 31 December 2007.

The Supervisory Board reviewed the Fortis Bank Nederland (Holding) Consolidated Financial Statements on 3 April 2008 and authorised their issue.

The Supervisory Board of Fortis Bank Nederland (Holding) declares that, to the best of its knowledge, the Fortis Bank Nederland (Holding) Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of Fortis Bank Nederland (Holding) and that the information contained herein has no omissions likely to modify significantly the scope for any statements made.

The Supervisory Board of Fortis Bank Nederland (Holding) also declares that the Annual Review includes a fair review of the development and performance of the businesses of the Group.

These Financial Statements will be submitted for the approval of the Annual General Meeting of Shareholders on 18 April 2008.

Amsterdam, 3 April 2008

Supervisory Board

A.M. Kloosterman (Chairman)
I. Brakman
F.R.J. Dierckx
B.J.H.S. Feilzer
A.P.M. van der Veer – Vergeer
H.C.L. Verwilst
H.M. Vletter – Van Dort

Fortis Bank Nederland (Holding) N.V.
Company Financial Statements

Company balance sheet

(before profit appropriation)

	31 December 2007	31 December 2006	31 December 2005
Assets			
Cash and cash equivalents	860	180	742
Assets held for trading	544	709	821
Due from banks	6,185	4,878	4,694
Due from customers	2	653	254
Investments:			
- Associates and joint ventures	24,201		
	24,201		
Participation intrest in group companies	7,465	6,445	5,385
Accrued interest and other assets	83	74	80
Total assets	**39,340**	**12,939**	**11,976**
Liabilities			
Liabilities held for trading	516	17	85
Due to banks	2	57	74
Due to customers	1	3	101
Debt certificates	4,961	4,782	4,609
Subordinated liabilities	10,455	1,543	1,077
Other borrowings	850		
Current and deferred tax liabilities	542	549	354
Accrued interest and other liabilities	250	78	63
Total liabilities	**17,577**	**7,029**	**6,363**
Issued capital and reserves	21,763	5,910	5,613
Minority interests			
Issued capital and reserves	**21,763**	**5,910**	**5,613**
Total liabilities and equity	**39,340**	**12,939**	**11,976**

Company income statement

	2007	2006	2005
Result from participating intrests after taxes	1,233	1,135	1,052
Other result after taxes	63	22	(3)
Net profit attributable to shareholders	**1,296**	**1,157**	**1,049**

Company statement of changes in equity

	Issuied capital	Issued capital premium reserve	Other reserves	Currency translation reserve	Net profit attributable to shareholders	Legal statutory reserves	Unrealised gains and losses	Issued capital and reserve
Balance at 31 December 2005	**497**	**2.194**	**1.610**	**(2)**	**1.049**	**64**	**201**	**5.613**
Net profit for the period					1.157			1.157
Revaluation of investments								
Currency translation reserve				(4)				(4)
Transfer			1.049		(1.049)			
Dividend			(770)					(770)
Increase of capital								
Treasury shares								
Available for sale							(84)	(84)
Other changes in equity			(13)			11		(2)
Balance at 31 December 2006	**497**	**2.194**	**1.876**	**(6)**	**1.157**	**75**	**117**	**5.910**
Net profit for the period					1.296			1.296
Revaluation of investments								
Currency translation reserve				(17)			(23)	(40)
Transfer			1.157		(1.157)			
Dividend			(76)					(76)
Increase of capital	146	14.674						14.820
Treasury shares								
Available for sale							(28)	(28)
Other changes in equity			(112)			(7)		(119)
Balance at 31 December 2007	**643**	**16.868**	**2.845**	**(23)**	**1.296**	**68**	**66**	**21.763**

Note: 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 Netherlands Civil Code (BW 2, article 390(1))

Explanatory notes to the balance sheet and income statement

General

The company financial statements are part of the 2007 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 Netherlands 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 Netherlands Civil Code. This means that the principles for the recognition and measurement of assets and liabilities and determination of the result (hereinafter referred to as principles for recognition and measurement) of the 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 Netherlands 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.

	2007	2006	2005
Debt securities:			
- Corporate debt securities	28	24	67
Total trading securities	**28**	**24**	**67**
Derivative financial instruments			
Over the counter (OTC)	516	685	754
Total derivative financial instruments	**516**	**685**	**754**
Total assets held for trading	**544**	**709**	**821**
Fair value of trading securities by observable market data	**28**	**24**	**67**

Due from banks

'Due from banks' consisted of the following as at 31 December.

31 December	2007	2006	2005
Interest-bearing deposits	4,604	3,761	3,440
Loans and advances	1,123	473	473
Securities lending transactions	227	227	227
Other	231	417	554
Total	**6,185**	**4,878**	**4,694**

Associates

RFS Holdings B.V. is the acquirer of ABN-AMRO shares in which Fortis Bank Nederland has a participation of 33.8% (see note 18).

Participating interests in group companies

Movements in participating interests in group companies are shown below.

31 December	2007	2006	2005
Balance at 1 January	6,445	5,385	3,688
Share of profit from participating intrests	1,233	1,135	1,052
Foreign exchange differences	(12)	(2)	8
Other changes	(201)	(73)	637
Total	**7,465**	**6,445**	**5,385**

Other changes for the year 2005 mainly caused by the the acquisition of Generale Belgian Holding.
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.

31 December	2007	2006	2005
Savings certificates	102	102	206
Commercial paper	4,632	4,452	4,177
Other	227	227	227
Total debt certificates	**4,961**	**4,782**	**4,609**

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 26.

	2007	2006	2005
31 December			
Liability component of subordinated convertible securities	2,106		
Other hybrid and Tier 1 liabilities	98		
Other subordinated liabilities	8,252	1,543	1,077
Total subordinated liabilities	**10,455**	**1,543**	**1,077**

Issued capital and reserves

Issued capital

Authorised issued capital amounts to EUR 1.176.856.500 distributed over 1.853.711 ordinary shares and 500.002 non-cumulative preference shares, each share having a nominal value of EUR 500.00.

Issued and paid-up capital amounts to EUR 567, 9 million ordinary shares and EUR 172.6 million preference shares distributed over 1.135.783 ordinary shares, 345.163 non-cumulative preference shares and 1 cumulative preference class-E share (7.7%), each with a nominal value of EUR 500.00. The non-cumulative preference shares comprise 150.000 class A shares (5, 85%), 240,048 new class-B shares (without a predefined payout ratio) and 195,161 class-C shares (5.5%). The preference class-C shares are, in compliance with EU-IFRS financial statements reported as subordinated liabilities. The share premium on the preference class A and B shares are registered on separated accounts and are allocated to the class of shares.

Assets and liabilities of group companies

The following assets and liabilities are with group companies:

	2007	2006	2005
31 December			
Cash and cash equivalents	860	165	675
Assets held for trading	33	21	87
Due from banks	1,123	473	473
Due from customers	2	653	254
Accrued interest and other assets	66	57	47
Liabilities held for trading	5	16	63
Due to banks	2	49	68
Due to customers		1	
Debt certificates		8	
Subordinated liabilities	473	473	473
Accrued interest and other liabilities	56	50	43

Rental and lease commitments

There were no long-term rental or lease commitments at year-end 2007

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 Netherlands Civil Code (see the note regarding the list of the major subsidiaries and associated companies of Fortis Bank Nederland. Subsidiaries for which a general guarantee has been issued are marked with an asterisk).

Remuneration of Executive Board

Reference is made to note 9 of the consolidated financial statements.

Amsterdam, 3 April 2008

Fortis Bank Nederland (Holding) N.V.
Other information

Executive Board

J.C.M. van Rutte (Chairman)
H.P.F.E. Bos
F.J. van Lanschot

Supervisory Board

A.M. Kloosterman (Chairman)
I. Brakman
F.R.J. Dierckx
B.J.H.S. Feilzer
A.P.M. van der Veer - Vergeer
H.C.L. Verwilst
H.M. Vletter - Van Dort

Branches, major subsidiaries and associated companies

Branches of Fortis Bank (Nederland) N.V.: Interest (%):
Frankfurt, Germany, Oslo, Norway

Major consolidated companies	
Fortis Bank (Nederland) N.V., Amsterdam [6]	100
ALFAM Holding N.V., Bunnik [6]	100
Beluga [7]	0
Dolphin [7]	0
Fortis ASR Bank N.V., Utrecht [6]	100
Fortis ASR Hypotheekbedrijf N.V., Utrecht	100
Fortis ASR Praktijkvoorziening N.V., Utrecht	100
Fortis ASR Woninghypotheken N.V., Utrecht	100
B.V. Financieringsmaatschappij N.O.B., Amsterdam [6]	100
Direktbank N.V., Amsterdam [6]	100
Delphinus 2000-1[7], 2001-1[7], 2001-2[7], 2002-1[7], 2003-1[7], 2003-2[7], 2004-1[7], 2004-2[7], 2006-1[7]	0
DMBS 97-II[7], 98-I[7], 99-III[7], 2001-I [7]	0
European Multilateral Clearing Facility N.V., Amsterdam [6]	100
Fortis Bank Global Clearing N.V., Amsterdam [6]	100
Fortis Chameleon B.V., Amsterdam	100
Fortis Commercial Finance Holding N.V.,'s-Hertogenbosch [6]	100
Fortis Groenbank B.V., Amsterdam [6]	100
Fortis GSLA B.V., Amsterdam	100
Fortis Hypotheek Bank N.V., Rotterdam [6]	100
Fortis Private Equity Holding Nederland B.V., Utrecht	100
Fortis Intertrust (Netherlands) B.V., Amsterdam	100
Fortis Intertrust Group Holding SA, Geneva	100
Goldfisch [7]	0
NeSBIC Groep B.V., Utrecht	100
Solid 2005-I [7]	0
International Card Services B.V. Amsterdam [6]	100
Fortis Bank (Cayman) Ltd., George Town, Cayman Islands	100
Fortis Holding (Curaçao) N.V., Willemstad, Netherlands Antilles	100
Fortis (Hong Kong) Ltd., Hong Kong	100
Fortis Capital Company Limited, St. Helier, Jersey	5
Fortis Clearing Sydney Pty., Sydney, Australia	100
Fortis Fund Services (Ireland) Limited, Dublin, Ireland	100
Fortis Prime Fund Solutions Administation Services (Ireland) Limited	100
Fortis Holdings (UK) Ltd., London, United Kingdom	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	100
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
Major non-consolidated companies:	
Holland Venture B.V., Amsterdam	33
RFS Holdings B.V., Amsterdam	34

The full list of participating interests as referred to in Article 414, Book 2 of the Netherlands Civil Code has been filed with the Trade Register.

[6] A statement of liability within the meaning of Article 403, subsection 1, paragraph f, Book 2 of the Netherlands Civil Code has been issued for these companies
[7] Securitisations transactions are consolidated in the financial figures of Fortis Bank Nederland because Fortis Bank Nederland bears the full financial risk of these transactions Oslo, Norway

Subsequent events

There have been no material subsequent events after the balance sheet date that need, to be reported.

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 solely make payments to shareholder and others entitled to receive payments defrayed by profits up to the amount of the disbursable reserves. Losses shall not be charged to the agio account connected with the preferential A shares, the agio account connected with the preferential B shares, the agio account connected with the preferential C shares or the dividend A reserve.

19.2 Payments defrayed by profits shall be made after the Annual Accounts shall have been ratified from which it appears such payments are admissible.

19.3 Profits, made in any Financial Year, shall firstly be deployed to form such reserves as the Board of Executive Directors, with the approval of the Board of Non-Executive Directors shall determine.

19.4 a. The profits remaining after the application of that determined in the previous section, shall, at the discretion of the Board of Executive Directors, with the approval of the Board of Non-Executive Directors, be paid out as a dividend on preferential A shares or paid into the dividend A reserve, which shall equal a dividend percentage calculated on the averages measured in time of the nominal amount of the preferential A shares, the balance of the dividend A reserve and the balance of agio account connected with the preferential A shares during the Financial Year in which those profits were made, and which dividend percentage shall equally be determine at five point eighty five (5.85%). Should and to the extent, as a consequence of the funds deposited into the reserve referred to in section 3 of this article, there be insufficient remaining profits to pay the dividends in question of the preferential A shares, respectively make contributions to the dividend A reserve, the deficit of the amount to be reserved shall be added to the dividend A reserve.
On preferential A shares, respectively for preferential A shares, no further payment, respectively reserves shall be made defrayed by profits.
b. The dividend percentage of the preferential A shares shall be amended as of January the first, two thousand and thirteen and furthermore shall be amended every five (5) years thereafter by applying the arithmetical average of the five (5) year, Euro denominated interest rate swap as published by Bloomberg on page EUSA5 Currency HP <GO>, during the last ten (10) business days prior to the dividend amendment date, increased by an amount to be determined by the Board of Executive Directors, with the approval of the Board of Non-Executive Directors, with a maximum of three hundred (300) base points, depending on marketing circumstances which prevail at that moment in time.
c. In the case the prices and rates quoted on the aforementioned page of Bloomberg are not or no longer available or the aforementioned page of Bloomberg is not or is no longer available and hence no dividend percentage may be calculated as described above, the Board of Executive Directors shall, with the approval of the Board of Non-Executive Directors take and use a comparable page to calculate the aforementioned dividend percentage from a comparable and designated organisation or institution from which the aforementioned prices and rates are available.

19.5 The remaining profits after the application of that determined in the previous sections shall be divided as far as possible as follows:
a. firstly, on preferential B shares payments shall be made of five point seven per cent (5.7%), of the averages measured in time of the nominal amount of the preferential B shares and the balance of the agio account connected with the preferential B shares during the Financial Year in which the profits were made. No further payments defrayed by profits shall be paid out on preferential B shares;

b. thereafter, holders of preferential C shares shall be paid an annual dividend on the average, measured in time of the nominal amount of the preferential C shares during the Financial Year in which the profits were made amounting to the dividend percentage referred to below in this section to be paid in the form of preferential C shares or in cash, at the discretion of the holders of preferential C shares, in which the nominal amount of the preferential C shares shall form the basis for calculating the number of preferential C shares to be allocated to a holder of preferential C shares. That part of the dividend to which a holder of preferential C shares shall be entitled which is insufficient to be paid out in the form of preferential C shares shall be paid out monetarily. Up to the third first of December, two thousand and seven, the dividend percentage referred to above in this section shall amount to five and a half per cent (5.5%). No further payments defrayed by profits shall be paid out on preferential C shares.

19.6 Profits remaining after the application of that determined in the previous sections shall be at the disposal of the General Meeting with the proviso that no dividend payments may be made for as long as at the time the dividend payments are to be made the balance of the dividend A reserve is positive.

19.7 When calculating the allocation of profits, the shares held by the company in its own share capital shall not be counted unless those shares shall be encumbered with a right of usufruct.

19.8 The General Meeting may decide on the strength of a proposal submitted by the Board of Executive Directors and with the approval of the Board of Non-Executive Directors, and in compliance with article 2: 105 of the Civil Code of the Netherlands, to make payments defrayed by a reserve, with the exception of the agio accounts connected with the ordinary shares, the preferential A shares, the preferential B shares and the preferential C shares and the dividend A reserve. The Board of Executive Directors may, with the approval of the Board of Non-Executive Directors and in compliance with article 2: 105 of the Civil Code of the Netherlands decide to make payments charged to the agio account connected with the preferential A shares and/or the dividend A reserve.

19.9 The Board of Executive Directors may pay an interim dividend in compliance with that stipulated by article 2: 105 of the Civil Code of the Netherlands and with the approval of the Board of Non-Executive Directors, if and to the extent the profits permit this. Interim dividends may also solely be paid on a certain kind of shares. Interim dividends may not be paid out on ordinary shares, preferential B shares and preferential C shares if, at the time the dividends are paid out, the balance of the dividend A reserve is positive.

19.10 The General Meeting may decide on the strength of a proposal submitted by the Board of Executive Directors, and with the approval of the Board of Non-Executive Directors that dividends on ordinary shares, preferential B shares, and/or preferential C shares shall be paid out in whole or in part in another form than monetarily.

19.11 (Interim) payments shall be declared on a day determined by the Board of Executive Directors which day shall not be later than the fifth (5th.) business day subsequent to the day on which the decision was made to make said payments.

19.12 (Interim) payments, which shall not have been claimed five years after having been declared, shall revert to the company.

19.13 For that determined in this article, a calendar year should be deemed to consist of three hundred and sixty days.

Profit appropriation

A proposal will be submitted to the General Meeting of Shareholders to add the profit to the reserves after paying out a dividend of EUR 0.0 million to the holders of preference shares under the terms of Article 19 of the Articles of Association and a dividend of EUR 400 million to the ordinary shareholders.

The profit appropriation is as follows (x EUR 1 million):

Addition to reserves EUR 896 million
Dividend on ordinary shares EUR 400 million
Total Profit EUR 1,296 million

Preference dividend EUR 0.0 million

The dividends on the preference shares are recognised in the income statement as interest expense in compliance with EU-IFRS financial statements

To: the Executive Board of Fortis Bank Nederland (Holding) N.V.

Auditors' report

Report on the Consolidated Financial Statements

We have audited the financial statements 2007 of Fortis Bank Nederland (Holding) N.V., Amsterdam, for the year 2007. These financial statements consist of the consolidated financial statements and the company financial statements as set out on pages 9 to 169 and 172 to 178. The consolidated financial statements comprise the consolidated balance sheet as at 31 December 2007, 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 2007, 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 2007, 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 2007 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 e of the Netherlands Civil Code, we report, to the extent of our competence, that the management board report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Amstelveen, 3 April 2008

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 our core markets Belgium and 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 Belgium and 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 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, that 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 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 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.

Market capitalisation
Value attributed to the company by the stock market. Market capitalisation corresponds to the number of shares outstanding multiplied by the share price at a given time.

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, 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 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 startup 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 2007 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 2007 Annual Review.

Fortis Bank Nederland (Holding) N.V
Amsterdam

P/a:
Archimedeslaan 6
3584 BA Utrecht

Internet: www.fortis.com