

FORTIS CAPITAL COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2009

0974230



Ref: 56407
Sims: 1349782

FORTIS CAPITAL COMPANY LIMITED

REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements for the year ended 31st December 2009.

INCORPORATION

The Company was incorporated in Jersey, Channel Islands on 18th February 1999.

ACTIVITIES

The principal activity of the Company is the provision of finance to group companies of Fortis Bank (Nederland) N.V. (formerly Fortis Bank Nederland (Holding) N.V.) which operated as an independent and commercial bank, with the Dutch State as the majority shareholder.

During the year, the holders of 362,511 Class A 1 Preference Shares called on the Company to exercise their stock conversion option on the first call date on 29th June 2009. The Company had eventually elected to exchange these Preference Shares for cash thereby requiring Fortis N.V. and Fortis SA/NV to deliver the required cash amount pursuant to their obligations under the Class A1 Support Agreement. The Company brought legal proceedings against Fortis N.V. and Fortis SA/NV and the Court ruled in favor of the Company. As a result, Fortis N.V. and Fortis SA/NV were required to pay a total of €362,511,000 to the Company by 29th June 2009. The said holders of Preference Shares received their payment on the same date.

RESULTS AND DIVIDENDS

The profit for the year amounted to € 372,580,080 (2008 loss for the year: € 424,920).

The Directors do not recommend a dividend for the year (2008: € nil).

DIRECTORS

The Directors who held office during the year and subsequently were:

J.G. Stokkel	
P.D. Martin	
H.C. Grant	
G.P. Essex-Cater	
J.F. van Wijck	
M. Baise	(resigned 12th March 2009)
A. van der Plas	(appointed 12th March 2009)
W.G. Foster	(resigned 9th April 2009)
C. Ruark	(appointed 9th April 2009)
F. Chesnay	(appointed 27th August 2009)


INDEPENDENT AUDITORS

KPMG Channel Islands Limited have expressed their willingness to continue in office, and a resolution to reappoint them will be proposed at the next Annual General Meeting.

REGISTERED OFFICE

22 Grenville Street
St. Helier
Jersey
Channel Islands
JE4 8PX

BY ORDER OF THE BOARD



Authorised Signatory
Mourant & Co. Secretaries Limited
Secretary

Date: 7th April 2010

FORTIS CAPITAL COMPANY LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the financial statements in accordance with applicable Jersey law and International Financial Reporting Standards.

Jersey Company law requires the Directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing these financial statements, the Directors are required to:

- * select suitable accounting policies and then apply them consistently;
- * make judgements and estimates that are reasonable and prudent;
- * state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- * prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.


FORTIS CAPITAL COMPANY LIMITED

STATEMENT OF PERSONS RESPONSIBLE WITHIN THE ISSUER

We confirm to the best of our knowledge that the financial statements for the year to 31st December 2009 give a true and fair view of the assets, liabilities, financial position and profit of the Company as required by the applicable accounting standards. The Report of the Directors gives a true and fair view of important events that have occurred during the the financial year and their impact on the financial statements. The principal risks and uncertainties faced by the Company are disclosed in Notes 1 and 14 of these financial statements.

For and behalf of the Board of Directors of the Company

Director:



Date: 7th April 2010



KPMG Channel Islands Limited

P.O. Box 453
St Helier
Jersey JE4 8WQ
Channel Islands

5 St Andrew's Place
Charing Cross, St Helier
Jersey JE4 8WQ
Channel Islands

Independent auditor's report to the members of Fortis Capital Company Limited

We have audited the financial statements of Fortis Capital Company Limited for the year ended 31 December 2009 which comprise the Balance Sheet, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards are set out in the Statement of Directors' Responsibilities on page 2.

Our responsibility is to audit the financial statements in accordance with the relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies (Jersey) Law 1991. We also report to you if, in our opinion, the company has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read the other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.



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Independent auditor's report to the members of Fortis Capital Company Limited – continued

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with International Financial Reporting Standards of the state of the company's affairs as at 31 December 2009 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies (Jersey) Law 1991.

Emphasis of matter: ongoing litigation

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of disclosures made in notes 1 and 8 to the financial statements concerning the allegation of Fortis N.V. and Fortis SA/NV against the Company and Fortis Bank Nederland N.V.

The ultimate outcome of the matters referred to in notes 1 and 8 to the financial statements cannot presently be determined with any certainty and therefore no provisions for any liabilities that may arise for the Company as a result have been provided for in the financial statements. If such liabilities were to arise they could be material to the financial statements.

Nicholas L Stevens
for and on behalf of KPMG Channel Islands Limited
Chartered Accountants

16 April 2010

Notes:

- The maintenance and integrity of the Fortis Bank Nederland website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements or audit report since they were initially presented on the website.
- Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

FORTIS CAPITAL COMPANY LIMITED

BALANCE SHEET

AS AT 31ST DECEMBER 2009

	<u>Notes</u>	<u>2009</u>	<u>2008</u>
ASSETS			
Non-current assets			
Held-to-maturity investments	2	472,500,000	472,500,000
Current assets			
Trade and other receivables	4	161,407	31,893,962
Cash and cash equivalents	5	25,832,989	17,109,412
		25,994,396	49,003,374
TOTAL ASSETS		€ 498,494,396	€ 521,503,374
EQUITY AND LIABILITIES			
Capital and reserves			
Equity share capital	9	22,511	22,511
Share premium account	10	30,477,499	30,477,499
Retained earnings		380,474,422	7,894,342
TOTAL SHAREHOLDERS' EQUITY		410,974,432	38,394,352
Non-current liabilities			
Preference shares	8	87,489,000	449,582,375
Current liabilities			
Trade and other payables	6	30,964	30,609,914
Swap agreement	3	-	1,832,632
Loans payable	7	-	1,084,101
		30,964	33,526,647
TOTAL EQUITY AND LIABILITIES		€ 498,494,396	€ 521,503,374

The financial statements were approved and authorised for issue by the Board of Directors on the 7th day of April 2010 and were signed on its behalf by:

Director:



(The notes on pages 10 to 24 form part of these financial statements)

FORTIS CAPITAL COMPANY LIMITED**STATEMENT OF COMPREHENSIVE INCOME****FOR THE YEAR ENDED 31ST DECEMBER 2009**

	<u>Notes</u>	<u>2009</u>	<u>2008</u>
INCOME:			
Deposit interest income	.	273,928	716,405
Investment income	2	26,024,822	32,334,292
Swap agreement income	3	15,547,314	28,125,000
Other income	8	362,511,000	-
		<u>404,357,064</u>	<u>61,175,697</u>
EXPENDITURE:			
Interest expense on Preference Shares	8	15,363,254	28,125,000
Amortisation of issue costs on Preference Shares	8	417,625	835,296
Loan interest expense	7	34,583	103,302
Mourant & Co. Limited - Administration fees		49,835	39,995
Mourant & Co. Limited - Management fee		1,616	1,896
Professional fees		9,945	1,721
Legal fees	12	175,502	-
Listing fees		10,000	10,124
Audit fees		27,631	8,250
Directors fees		2,693	3,160
Annual filing fee		170	199
International Service Entity fee		113	-
Exempt company fee	11	-	794
Bank charges		901	901
Swap agreement payments	3	15,680,400	30,018,566
Loss on exchange		2,716	1,209
Loss on revaluation of swap agreement	3	-	2,450,204
		<u>31,776,984</u>	<u>61,600,617</u>
PROFIT/(LOSS) AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR	€	<u>372,580,080</u>	<u>€ (424,920)</u>

(The notes on pages 10 to 24 form part of these financial statements)

FORTIS CAPITAL COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY**FOR THE YEAR ENDED 31ST DECEMBER 2009**

	<u>Share Capital</u>	<u>Share premium</u>	<u>Retained earnings</u>	<u>Total</u>
Balance at 1st January 2009	22,511	30,477,499	7,894,342	38,394,352
Profit for the year	-	-	372,580,080	372,580,080
Balance at 31st December 2009	€ <u>22,511</u>	€ <u>30,477,499</u>	€ <u>380,474,422</u>	€ <u>410,974,432</u>
Balance at 1st January 2008	22,511	30,477,499	8,319,262	38,819,272
Loss for the year	-	-	(424,920)	(424,920)
Balance at 31st December 2008	€ <u>22,511</u>	€ <u>30,477,499</u>	€ <u>7,894,342</u>	€ <u>38,394,352</u>

(The notes on pages 10 to 24 form part of these financial statements)

FORTIS CAPITAL COMPANY LIMITED

CASH FLOW STATEMENT**FOR THE YEAR ENDED 31ST DECEMBER 2009**

	<u>Note</u>	<u>2009</u>	<u>2008</u>
Cash flows from operating activities			
Profit/(Loss) for the year		372,580,080	(424,920)
Decrease/(Increase) in trade and other receivables		31,732,555	(2,092,128)
(Decrease)/Increase in trade and other payables		(30,578,950)	1,989,908
(Gain)/Loss on swap agreement		(1,832,632)	2,450,204
Amortisation of issue costs on Preference Shares		417,625	835,296
Net cash flows from operating activities		<u>372,318,678</u>	<u>2,758,360</u>
Cash flows from financing activities			
Repayment of loans		(1,084,101)	(1,017,937)
Redemption of Preference Shares		(362,511,000)	-
Net cash flows used in financing activities		<u>(363,595,101)</u>	<u>(1,017,937)</u>
Net increase in cash and cash equivalents		<u>8,723,577</u>	<u>1,740,423</u>
Cash and cash equivalents at the beginning of the year		<u>17,109,412</u>	<u>15,368,989</u>
Cash and cash equivalents at the end of the year	5	<u>€ 25,832,989</u>	<u>€ 17,109,412</u>

(The notes on pages 10 to 24 form part of these financial statements)

FORTIS CAPITAL COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2009

1. ACCOUNTING POLICIES

Basis of accounting

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") adopted by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee. The more significant accounting policies used are set out below.

Basis of measurement

The financial statements have been prepared on the historical cost basis, except for a derivative financial instrument, comprising an interest rate swap contract, which is measured at fair value.

Fundamental uncertainty

As outlined in Note 8, Preference Shares, Fortis N.V. and Fortis SA/NV alleged that they were entitled to receive compensation up to a maximum of € 362,511,000 (plus interest). At the time of approving these financial statements, the Company, Fortis N.V., Fortis SA/NV and Fortis Bank (Nederland) N.V., are involved in a complex legal dispute the outcome of which is impossible to predict with any level of certainty. As such, no adjustments have been made in these financial statements for this event.

New standards, amendments and interpretations applicable in the current year

IAS 1 (Revised) 'Presentation of financial statements' became effective for accounting periods beginning on or after 1st January 2009. The revised standard prohibits the presentation of items of income and expenses (i.e. 'non-owner changes in equity') in the statement of changes in equity. It requires non-owner changes in equity to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The revised standard also requires entities which restate or reclassify comparative information to present a restated statement of financial position as at the beginning comparative period, in addition to the current requirement to present statements of financial position at the end of the current period and comparative period.

IFRS 8, 'Operating Segments' became effective for accounting periods beginning on or after 1st January 2009. The standard requires segmental disclosure based on the components of the entity that management monitors in making decisions about operating matters. This "management approach" differs from IAS 14, which currently requires the disclosure of two sets of segments, business and geographical segments, based on a desegregation of information contained in the financial statements. Under IFRS 8 operating segments become reportable based on threshold tests related to revenues, results and assets.

IFRS 7 (amendment) 'Financial instruments: Disclosures' became effective for accounting periods beginning on or after 1st January 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy.

The Company has applied these new standards and amendments in the current year which had no significant impact on the performance or position of the Company.

FORTIS CAPITAL COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2009

1. ACCOUNTING POLICIES - (CONTINUED)

New standards and interpretations in issue but not yet effective

In November 2009, the IASB issued a new accounting standard, IFRS 9: 'Financial Instruments' (Replacement of IAS 39). IFRS 9 is mandatory for accounting periods commencing from 1 January 2013 with early adoption permitted at any time from 12 November 2009 onwards. The main changes resulting from the replacement of IAS 39 by IFRS 9 are changes to the permitted classifications and subsequent measurement of financial instruments. However, in the opinion of the Directors adoption of IFRS 9 will result in no material changes to the Company's financial statements.

Use of estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expense during the year. Actual results could differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The significant estimates and assumptions used by the Directors in preparation of these financial statements are in relation to the fair value calculation of the Company's financial instruments as outlined in Note 14.

Held-to-maturity investments

The Company has classified its investments as held-to-maturity investments. Investments are initially recognised at trade date at fair value on the date of purchase less transaction costs that are directly attributable to the investments. They are subsequently measured at amortised cost using the effective interest rate method less any impairment losses. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Company has transferred substantially all risks and rewards of ownership.

Swap agreement

The swap agreement was stated at fair value, estimated using pricing models with inputs based on market related measures. Realised and unrealised gains and losses on the swap agreement are recognised within the Statement of Comprehensive Income. The swap agreement was derecognised when the rights to receive cash flows from it has expired in accordance with the termination date per the agreement (see Note 3).

Preference shares

Preference Shares are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, Preference Shares are stated at amortised cost with any difference between the net proceeds on date of issue and redemption value being recognised in the Statement of Comprehensive Income over the period of the borrowing on an effective interest rate basis.

The scheduled redemption amount of the Preference Shares at the scheduled maturity dates will be the lesser of (i) the nominal amount issued; or (ii) the amount received by the Company in respect of the redemption of the Investments held by the Company. The Company derecognises Preference Shares when its contractual obligations are discharged.

The Directors have considered the characteristics of the Preference Shares, and the requirements of "Financial Instruments: Disclosure and Presentation" ("IAS 32"), and consider that the most appropriate classification of these securities is as debt within non-current liabilities. Dividends are recorded as interest expense in the Statement of Comprehensive Income.

FORTIS CAPITAL COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2009

1. ACCOUNTING POLICIES - (CONTINUED)

Impairment

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

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

Transaction costs

Transaction costs represent costs of the issue of the Preference Shares and other formation expenses which have been deducted from the proceeds of the issue of the Preference Shares and taken into account in calculating the carrying value of the Preference Shares on an effective interest rate basis.

Foreign currency translation

a) Currency of domicile, functional currency and presentation currency

The currency of domicile is GBP (pounds sterling). Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Euro, which is the Company's functional and presentation currency.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

Fair value estimations

Fair value estimations of the financial assets and liabilities are initially determined by using quoted prices. Where quoted prices are not available valuation techniques to determine fair values are used. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Valuation techniques used include the use of comparable recent arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants.

Investment income, interest expense and loan interest expense

Investment income, interest expense and loan interest expense are recognised in the Statement of Comprehensive Income on an effective interest basis.

Swap income and swap expense

Swap income and swap expense is recognised on an effective interest basis.

Deposit interest income

Deposit interest income is recognised on an accruals basis.

Other expenses

All other expenses are recognised on an accruals basis.

Trade and other receivables and payables

Trade and other receivables and payables are measured at cost less impairment.

FORTIS CAPITAL COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2009

1. ACCOUNTING POLICIES - (CONTINUED)

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Loans payable

Loans payable are measured at amortised cost using the effective interest basis.

Related party disclosures

Transactions with related parties are disclosed in the primary financial statements and the notes to the financial statements.

Segmental reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses. The Directors perform regular review of the operating results of the Company and make decisions using financial information at the entity level. Accordingly, the Directors believe that the Company has only one operating segment (see Note 15).

The Directors are responsible for ensuring that the Company carries out business activities in line with the transaction documents. They may delegate some or all of the day to day management of the business including the decisions to purchase and sell securities to other parties both internal and external to the Company. The decisions of such parties are reviewed on a regular basis to ensure compliance with the policies and legal responsibilities of the Directors. Therefore the Directors retain full responsibility as to the major allocation decisions of the Company.

Employees

The Company had no employees during the year or the previous accounting year.

2. HELD-TO-MATURITY INVESTMENTS

2009

2008

Fortis Bank (Nederland) N.V. (formerly Fortis Bank Nederland (Holding) N.V.)

Class A1 Subordinated Notes

€ 472,500,000

€ 472,500,000

The Subordinated Notes (the "Notes") which were issued in 1999 under the Class A1 Subordinated Note Purchase Agreement (the "Purchase Agreement") have a term of 30 years, and represent an obligation of Fortis Bank (Nederland) N.V. (previously Fortis Bank Nederland (Holding) N.V. as the "Bank") to the Company. The Notes are subordinated and junior to the Bank's depositors and creditors in the event of bankruptcy or liquidation of the Bank. The Notes earned interest annually in arrears at a rate of 12 month Euribor plus 187 basis points until 29th June 2009.

After 29th June 2009, the Notes earned interest quarterly in arrears at a rate of 3 month Euribor plus 287 basis points. The Company has the right to redeem the Notes when the Preference Shares are redeemed. However, the Notes were maintained in full amount notwithstanding the redemption of a significant portion of the Preference Shares (see Note 8).

In the opinion of the Directors, the Notes should be classified as "held-to-maturity" as the Company has the positive intention and ability to hold the Notes to maturity and any early redemption is callable by the Company.

FORTIS CAPITAL COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2009

3. SWAP AGREEMENT

	<u>2009</u>	<u>2008</u>
Swap Agreement	€ -	€ (1,832,632)

The Company and the Bank entered into a swap agreement to ensure that the Company would have sufficient funds to enable it to settle the fixed rate payable on its issued preference shares. The Bank agreed to pay the Company a fixed rate of 6.25% p.a. for the Notes. In return the Company agreed to pay the Bank a floating rate of 12 month Euribor plus 160 basis points until 29th June 2009. In accordance with the terms of the agreement, the swap terminated on 29th June 2009. The fair value of the swap agreement was reversed and recognised as part of swap agreement income in the Statement of Comprehensive Income.

4. TRADE AND OTHER RECEIVABLES

	<u>2009</u>	<u>2008</u>
Investment income receivable	92,584	17,443,939
Swap income receivable	-	14,332,193
Deposit income receivable	68,823	117,830
	<u>€ 161,407</u>	<u>€ 31,893,962</u>

5. CASH AND CASH EQUIVALENTS

	<u>2009</u>	<u>2008</u>
MeesPierson (CI) Limited - € fixed deposit account (previously Fortis Bank (CI) Limited)	15,968,207	15,956,999
Fortis Bank Nederland - € fixed deposit account	9,035,507	-
Citibank, N.A. - € deposit account	771,961	1,104,658
The Royal Bank of Scotland International:		
- € deposit account	57,229	47,632
- £ deposit account (2009: £3; 2008: £38)	4	39
- US\$ deposit account (2009: \$116; 2008: \$116)	81	84
	<u>€ 25,832,989</u>	<u>€ 17,109,412</u>

6. TRADE AND OTHER PAYABLES

	<u>2009</u>	<u>2008</u>
Mourant & Co. Limited - Administration fees	-	26,116
Audit fees	15,115	9,310
Swap interest payable	-	16,206,000
Loan interest payable	-	36,296
Interest payable on Preference Shares	15,849	14,332,192
	<u>€ 30,964</u>	<u>€ 30,609,914</u>

FORTIS CAPITAL COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2009

7. LOANS PAYABLE	<u>2009</u>	<u>2008</u>
Amounts falling due within one year		
Fortis Bank Nederland (Holding) N.V.:		
- € 8,300,000 loan	€ -	€ 1,084,101

The € 8,300,000 loan was unsecured, bore interest at an annual rate of 6.50% and was repayable over ten years commencing 29th June 2000. The outstanding balance was repaid in full on 29th June 2009.

8. PREFERENCE SHARES	<u>2009</u>	<u>2008</u>
450,000 6.25% Non-cumulative, Non-voting Perpetual Class A Series 1 at €1,000 each	450,000,000	450,000,000
Less: issue costs	(8,352,909)	(8,352,909)
Amortisation of issue costs	8,352,909	7,935,284
Redemption	(362,511,000)	-
	€ 87,489,000	€ 449,582,375

The Class A Series 1 Preference Shares incurred interest at a rate of 6.25% per annum on the nominal amount of the shares outstanding payable annually in arrears on 29th June each year until 29th June 2009. The Company was permitted to redeem for cash the Class A Series 1 Preference Shares in their totality on 29th June 2009 and is permitted to redeem on any preference dividend payment date thereafter or at any time following an Issuer Special Event.

On the occasion of a Supervisory Event, there would be a mandatory conversion of the Class A Series 1 Preference Shares to Preference Shares of the Bank. In the event of a liquidation the Class A Series 1 Preference Share holders would be entitled to receive a distribution of assets equivalent to the paid up value of the Class A Series 1 Preference Shares plus any accrued preference dividend. There would be no entitlement to claim any of the remaining assets of the Company. The Class A Series 1 Preference Shares are listed on the Euronext Amsterdam Stock Exchange.

On 31st March, 2009, the Company announced that the Class A Shares would not be redeemed for cash by the Company on 29th June 2009 (the First Call Notice). Subsequently, certain holders of the Class A Shares (the "Holders") elected to take the Stock Conversion option for 362,511 Class A Shares.

On 4th May 2009, the Company issued the Second Call Notice by which it notified the Holders that it had elected to exchange the 362,511 Class A Shares for cash on 29th June 2009. The Company decided to call on the Class A1 Support Agreement (the "Support Agreement") signed with Fortis N.V. and Fortis SA/NV rather than the partial repayment of the Notes. Pursuant to their obligations under Support Agreement, the Company required Fortis N.V. and Fortis SA/NV to deliver a cash amount per Class A Share equal to the relevant Class A Liquidation Preference Amount, calculated in accordance with the Articles of the Company (the "Cash Settlement").

FORTIS CAPITAL COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2009

8. PREFERENCE SHARES - (CONTINUED)

In the same notification, Holders were informed that the Company's ability to make settlement of such cash amount would be entirely dependent upon Fortis N.V. and Fortis SA/NV performing their obligations under the Support Agreement. On 19th June 2009, the Company brought legal proceedings against Fortis N.V. and Fortis SA/NV in order to obtain a court judgement that Fortis N.V. and Fortis SA/NV must comply with their obligations under the Support Agreement regarding the Cash Settlement.

On 25th June 2009 the Court ruled in favour of the Company and ordered Fortis N.V. and Fortis SA/NV to pay €362,511,000 to the Company by 29th June 2009. The Holders, which tendered as part of the Cash Settlement, received their payment on 29th June 2009.

The remaining Preference Shares amounting to €87,489,000, which continue to be held in accordance with the terms of the original issue, may be redeemed for cash on any preference dividend payment date after 29th June 2009 or at any time by the Company following an Issuer Special Event. These Preference Shares incur interest at 3 month Euribor plus 260 basis points payable quarterly in arrears with effect from 29th September 2009.

Fortis N.V. and Fortis SA/NV have set out the grounds of a counter claim in a writ of summons of 17th June 2009, in their attorneys' pleading notes for the oral hearing of 19th June 2009 and in a letter of 2nd July 2009. In summary, Fortis N.V. and Fortis SA/NV allege that they are entitled to receive compensation of up to € 362,511,000 (plus interest) from the Bank and/or the Company on the basis of unjust enrichment, contract, the overriding principles of reasonableness and fairness, unforeseen circumstances and/or undue payment. The parties are involved in a complex legal dispute, the outcome of which is currently impossible to predict with any level of certainty. However, on the basis of available evidence and advice; the Company is of the opinion that it is more likely than not that the claims of Fortis N.V. and Fortis SA/NV will be dismissed.

9. EQUITY SHARE CAPITAL

	<u>2009</u>	<u>2008</u>
AUTHORISED:		
2,000,000,000 ordinary shares of € 1 each	2,000,000,000	2,000,000,000
2,000,000,000 unclassified shares of € 1 each	2,000,000,000	2,000,000,000
	<u>€ 4,000,000,000</u>	<u>€ 4,000,000,000</u>
ISSUED AND FULLY PAID:		
22,511 ordinary shares of € 1 each	<u>€ 22,511</u>	<u>€ 22,511</u>

Holders of ordinary shares have one vote on a show of hands and one vote for each ordinary share held on a vote taken on a poll. Whilst there are Preference Shares in issue, no dividends shall be payable to the ordinary shareholders except out of net income determined under the Dutch generally accepted accounting principles after all Preference Share dividends have been settled. On a winding up or other return of capital no amount shall be distributed to the ordinary shareholders until the Preference Shareholders have received all amounts payable to them in accordance with the Company's articles of association.

FORTIS CAPITAL COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2009

10. SHARE PREMIUM ACCOUNT

	<u>2009</u>	<u>2008</u>
Premium on shares issued:		
Ordinary shares	€ 30,477,499	€ 30,477,499

11. TAXATION

The Company had exempt status for Jersey taxation purposes for the year of assessment 2008. Effective 1 January 2009, Jersey's tax regime has changed. The new regime has imposed a general corporate income tax of 0%, a 10% rate applies to certain regulated financial services companies and a 20% rate applies to utilities and income from Jersey land (ie rents and development profits). Jersey resident companies are treated as resident for tax purposes and are subject to zero or ten percent standard income tax rate.

Since the Company is not a regulated financial service entity, the effect of the new tax regime is limited to the change of status from exempt to liable to Jersey income tax at 0%.

12. LEGAL FEES

Legal fees pertain to legal advice and services engaged by the Company due to the ongoing litigation proceedings with Fortis N.V. and Fortis SA/NV as detailed in Note 8.

13. CAPITAL MANAGEMENT

The Company's transactions are designed to enable the Company to pay its liabilities as they fall due. This is the objective of the Company's capital management policy. The swap agreement ensured that the Company had sufficient funds to settle the fixed interest due to the Preference Shareholders. The Swap Counterparty paid the Company a fixed rate of 6.25% per annum. Under the swap agreement the Company was obliged to pay the Swap Counterparty a floating rate of 12 month Euribor plus 160 basis points until 29th June 2009. The Company received income from its investments at an annual rate of 12 month Euribor plus 187 basis points until 29th June 2009. In accordance with the terms of the agreement, the swap agreement terminated on 29th June 2009.

After 29th June 2009, the Company receives income from investments at 3 month Euribor plus 287 basis points and pays interest on Preference Shares at 3 month Euribor plus 260 basis points. The Company therefore realises a margin of 27 basis points on the balance of Preference Shares which are invested in the Subordinated Notes (€ 87,489,000). The income earned from the remainder of the investment (€ 385,011,000) is retained by the Company and is reflected in retained earnings.

The Company is not subject to externally imposed capital requirements.

FORTIS CAPITAL COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2009

14. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Company holds the following financial instruments:

Cash and cash equivalents; Investments; Preference shares; Trade and other receivables; and Trade and other payables.

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for measuring and managing those risks. This note also provides further quantitative disclosures in relation to the Company's financial instruments.

The Board of Directors ("Board") has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's Board is responsible for identifying and analysing the risks faced by the Company, for setting appropriate risk limits and controls, and monitoring risks and adherence to limits. Due to the limited activities of the Company, the Board deems its sole involvement as sufficient to monitor the risks faced by the Company and does not delegate any specific duties to Board committees.

The main purpose of the financial instruments is to finance the Company's purchase of Class A1 Subordinated Notes issued by the Bank. It is, and has been throughout the year under review, the Company's policy that no trading in financial instruments shall be undertaken.

Categories of financial assets and liabilities as at 31st December 2009:

		Held-to-maturity	Held for trading	Loans and receivables	Financial liabilities at amortised cost
Balance sheet categories:					
Held-to-maturity investments	€	472,500,000	€ -	€ -	€ -
Trade and other receivables	€	-	€ -	€ 161,407	€ -
Cash and cash equivalents	€	-	€ -	€ 25,832,989	€ -
Preference Shares	€	-	€ -	€ -	€ 87,489,000
Trade and other payables	€	-	€ -	€ -	€ 30,964

Categories of financial assets and liabilities as at 31st December 2008:

		Held-to-maturity	Held for trading	Loans and receivables	Financial liabilities at amortised cost
Balance sheet categories:					
Held-to-maturity investments	€	472,500,000	€ -	€ -	€ -
Swap agreement	€	-	€ (1,832,632)	€ -	€ -
Trade and other receivables	€	-	€ -	€ 31,893,962	€ -
Cash and cash equivalents	€	-	€ -	€ 17,109,412	€ -
Preference Shares	€	-	€ -	€ -	€ 449,582,375
Loans payable	€	-	€ -	€ -	€ 1,084,101
Trade and other payables	€	-	€ -	€ -	€ 30,609,914

FORTIS CAPITAL COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2009

14. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT - (CONTINUED)

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from the Company's investment in the Class A1 Subordinated Notes issued by the Bank and from the Swap Agreement entered into with the Bank.

The Company's main financial assets are the Class A1 Subordinated Notes, the corresponding interest receivable and the swap interest receivable at the year end. The majority of the Company's income derives from its investment in the Class A1 Notes and the Swap Agreement entered into with the Bank. Therefore the maximum exposure to credit risk, without taking into account any collateral held or other credit enhancements is €472,500,000 (2008: €504,276,132).

No indications of impairment have been identified in relation to the Class A1 Subordinated Notes and investment income has been received in accordance with the Purchase Agreement. Similarly, swap income has been received in accordance with the Swap Agreement. The Bank has a long term credit rating of A from Standard & Poor's, an A1 rating from Moody's and an A+ rating from Fitch. Given these ratings the Board does not expect the Bank to fail to meet its obligations. None of the Company's financial instruments which are exposed to credit risk are past due or impaired during the year or as at the balance sheet date.

The Bank also includes a number of Dutch and international units which provide specialist financial services under their own (brand) names.

On 24th December 2008, the Bank sold and transferred its stake in RFS Holdings to the Dutch State.

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

The Directors believe that there is no significant net credit risk to the Company since the holders of the Preference Shares have limited recourse to the proceeds from the Subordinated Notes and the Swap Agreement. As detailed in Note 8, holders of 362,511 Preference Shares received distribution of assets equal to the paid up value of the Preference Shares.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Due to the nature of the Company's operations, the Board considers net liquidity risk faced by the Company to be minimal. The most significant cash outflows consist of the payment of interest expense on the Preference Shares and the amounts payable under the Swap Agreement (now terminated). The timing of its cash outflows fall due on the same dates as the cash inflows from the Class A1 Subordinated Notes and the amounts which were receivable under the Swap Agreement for the year. The income receivable from the Subordinated Notes is 27 basis points higher than the amounts payable from the Preference Shares. Therefore, the Board considers that the Company has sufficient available cash resources to meet the other cash outflows which mainly consist of administrative expenditures.

FORTIS CAPITAL COMPANY LIMITED**NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)****FOR THE YEAR ENDED 31ST DECEMBER 2009****14. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT - (CONTINUED)****Maturity analysis**

The undiscounted contractual maturity profile of the Company's financial assets and financial liabilities is as follows:

	Financial assets 2009	Financial liabilities 2009	Financial assets 2008	Financial liabilities 2008
In less than one year	25,994,396	30,964	49,003,374	33,526,647
In more than one year	472,500,000	87,489,000	472,500,000	450,000,000
	€ 498,494,396	€ 87,519,964	€ 521,503,374	€ 483,526,647

Given the above maturity profile, the Directors consider that the Company is not exposed to significant net liquidity risk.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Due to the structure of the Company's assets and liabilities the net exposure to market risk is also considered to be minimal.

Currency risk

With the exception of certain administrative expenses which are denominated in GBP, all other transactions are undertaken in Euro and therefore the Directors believe that there is no significant net currency risk to the Company.

Currency risk - sensitivity

As disclosed above, in the Directors' opinion, there is no significant currency risk to the Company. The Company only incurs currency risk on certain expenses, which are mainly paid in sterling. The Company accepts this risk and, accordingly, does not hedge against it. A strengthening or weakening of the Euro against the Pound Sterling would have an insignificant effect on the profit or loss of the Company for the year and the Company's equity and therefore no sensitivity analysis for currency risk has been presented in these financial statements.

FORTIS CAPITAL COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)
FOR THE YEAR ENDED 31ST DECEMBER 2009

14. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT - (CONTINUED)

Fair values

The fair values of the Company's assets and liabilities are as follows:

	<u>2009</u>	<u>2009</u>	<u>2008</u>	<u>2008</u>
	Carrying value	Fair value	Carrying value	Fair value
	€	€	€	€
Held-to-maturity investments	472,500,000	339,675,000	472,500,000	352,672,314
Swap agreement	-	-	(1,832,632)	(1,832,632)
Trade and other receivables	161,407	161,407	31,893,962	31,893,962
Cash and cash equivalents	25,832,989	25,832,989	17,109,412	17,109,412
Trade and other payables	(30,964)	(30,964)	(30,609,914)	(30,609,914)
Loan payable	-	-	(1,084,101)	(1,138,289)
Preference shares	(87,489,000)	(42,370,000)	(449,582,375)	(247,500,000)

The fair values of the held-to-maturity investments (the "Notes"), the Loans payable and the Swap have been calculated using valuation models based on a discounted cashflow approach, whereby product specific spreads related to credit and liquidity risk is taken into account when applying a discount curve. In this way, the fair value of the different products is derived as close as possible to the Marked-to-Market value. It had been assumed that the Notes will be redeemed at their scheduled maturity date of 29th June 2029 in accordance with the Purchase Agreement.

In the previous years, the fair value of the Preference Shares was the quoted mid price from Euronext. As there was no quoted price available as at 31st December 2009, the fair value of the Preference Shares was calculated based on a discounted cashflow approach. The calculated fair value approximates the average of the current indicative market and the last trade price of the Preference Shares.

Upon exchange of a significant portion of the Preference Shares on 29th June 2009, the Company did not elect to redeem the Notes but chose to finance such redemption from the proceeds received from Fortis N.V. and Fortis SA/NV (See Note 8). The Directors consider that the fair values of the Company's loans and receivables and other financial liabilities are not significantly different from their carrying values.

Fair value - sensitivity analysis

As the Preference Shares and Notes are stated at amortised cost, an increase or decrease in their fair values would have no impact on the Company's profit or loss and/or equity and therefore no sensitivity analysis in respect of the Preference Shares or Notes has been presented.

FORTIS CAPITAL COMPANY LIMITED**NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)****FOR THE YEAR ENDED 31ST DECEMBER 2009****14. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT - (CONTINUED)****Interest rate risk**

Up until 29th June 2009, interest incurred on the Preference Shares was on fixed rate basis and was exactly matched by the income receivable under the swap agreement. Interest income received from the Notes was on a floating rate basis which yielded a fixed margin of 27 basis points over the floating rate payable under the Swap Agreement in order to cover the administration expenses of the Company.

With effect from 29th June 2009, interest incurred on the Preference Shares is on a floating rate basis plus 260 basis points and interest income received from the Notes is on floating rate basis plus 287 basis points which yields a fixed margin of 27 basis points in order to cover the administration expenses of the Company.

The interest rate exposure of financial assets at 31st December 2009 was:

Total	Fixed rate	Floating rate	Non-interest bearing
€ 498,494,396	-	€ 498,332,989	€ 161,407

The interest rate exposure of financial assets at 31st December 2008 after hedging was:

Total	Fixed rate	Floating rate	Non-interest bearing
€ 521,503,374	€ 472,500,000	€ 17,109,412	€ 31,893,962

The floating rate financial assets comprise of the bank deposits that earn interest based on market rates and of the held-to-maturity investments which earn interest at 12 month Euribor plus 187 basis points until 29th June 2009 and 3 month Euribor plus 287 basis points after this date.

Non-interest bearing financial assets represent trade and other receivables.

The interest rate exposure of financial liabilities at 31st December 2009 was:

Total	Fixed rate	Floating rate	Non-interest bearing
€ 87,519,964	-	€ 87,489,000	€ 30,964

Effective interest rate 2009:

Fixed rate financial liabilities	Floating rate financial liabilities
%	%
6.25%	3.59%

The interest rate exposure of financial liabilities at 31st December 2008 after hedging was:

Total	Fixed rate	Floating rate	Non-interest bearing
€ 483,109,022	€ 452,499,108	-	€ 30,609,914

Effective interest rate 2008:

Fixed rate financial liabilities	Floating rate financial liabilities
%	%
6.25%	0.00%

FORTIS CAPITAL COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2009

14. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT - (CONTINUED)

Interest rate risk - (continued)

Floating rate financial liabilities as at 31st December 2009 consist of the remaining balance of the Company's Preference Shares which incurs interest at 3 month Euribor plus 260 basis points.

Fixed rate financial liabilities as at 31st December 2008 consisted of the Company's Preference Shares and loans payable.

Non-interest bearing financial liabilities represent trade and other payables.

Interest rate risk - sensitivity analysis

As disclosed above, in the Directors' opinion there is no material interest rate risk to the Company. From the Company's perspective any change in the interest rate attached to the Notes would be matched by an equal and opposite change in the interest rate attached to the Preference Shares. Consequently a change in interest rates would have no net effect on profit or loss and/or equity.

IFRS 7 requires disclosure of "a sensitivity analysis for each type of market risk to which the entity is exposed at the reporting date, showing how profit or loss and equity would have been affected by changes in the relevant risk variable that were reasonably possible at that date." As stated, whilst the financial instruments held by the Company are separately exposed to interest rate risk, the Company itself is not exposed to interest rate risk overall. Therefore, in the Directors' opinion, no sensitivity analysis in respect of interest rates is required to be disclosed.

15. OPERATING SEGMENTS

Geographical information

All of the Company's revenues are generated from external sources which are analysed as follows:

	<u>2009</u>	<u>2008</u>
The Netherlands	404,083,136	60,459,292
United Kingdom and Channel Islands	273,928	716,405
	<u>€ 404,357,064</u>	<u>€ 61,175,697</u>

Non-current assets

The Company does not have non-current assets other than the held-to-maturity investments.

Major investment company

All of the Company's operating revenues apart from deposit interest income, is derived from one entity.

FORTIS CAPITAL COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2009

16. HOLDING COMPANY AND RELATED PARTIES

The Company's immediate and ultimate holding company is Fortis Bank Nederland (Holding) N.V., a company incorporated in the Netherlands and controlled by the Dutch State.

With effect from 1st September 2009, Fortis Bank Nederland (Holding) N.V. merged with Fortis Bank (Nederland) N.V. with its intention to simplify the Group's legal structure. As a result of the merger, Fortis Bank Nederland (Holding) N.V. has ceased to exist with Fortis Bank (Nederland) N.V. as the surviving company.

Messrs. Martin, Stokkel, Van der Plas and Van Wijck are senior employees of Fortis Bank (Nederland) N.V. or its affiliate companies.

G.P. Essex-Cater is a shareholder of Mourant Limited. Each of H.C. Grant, G.P. Essex-Cater, C. Ruark and F. Chesnay are employees of a subsidiary of Mourant Limited. Affiliates of Mourant Limited provide ongoing administrative services to the Company at commercial rates.

The Company has invested the proceeds of the issue of the Class A Series 1 Preference Shares in Subordinated Notes of the holding company as described in Note 2.

The Company has entered into support and guarantee agreements with Fortis group companies to enable the Company to declare and pay preference dividends and to guarantee the payment of Class A Series 1 Preference Shares including unpaid preference share dividends in the event of the liquidation of the Company.

On 29th June 2009 the Company received € 362,511,000 from Fortis SA/NV and Fortis N.V. as a result of the Court ruling in favour of the Company (see Note 8). These proceeds were used to redeem 362,511 Class A Series 1 Preference Shares. It is to be noted that Fortis SA/NV and Fortis N.V. are only considered related parties in respect of the support agreement signed in 1999.

Transactions were made on terms equivalent to those that would prevail on an arms length transaction.

Fees payable to Mourant Limited for the year ended 31st December 2009 and the prior year ended 31st December 2008 are disclosed on the face of the Statement of Comprehensive Income. Accrued fees payable to Mourant Limited as at 31st December 2009 and 31st December 2008 are disclosed in Note 6 to the financial statements.

17. KEY MANAGEMENT PERSONNEL

The key management personnel have been identified as being the directors of the Company. The emoluments of key management personnel are paid by the ultimate controlling party who makes no recharge to the Company.

It is therefore not possible to make a reasonable apportionment of their emoluments in respect of the Company. Accordingly, no emoluments in respect of the directors applicable to the Company have been disclosed.