Financial Statements for the First half-year 2009 Fortis Finance N.V.

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Interim Financial Statements for the First half-year 2009 Fortis Finance N.V.

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Report of the Board of Directors on the 2009 financial half year

General

In the past Fortis Finance N.V. operated as the window to the financial markets for Fortis entities by issuing both short-term and long-term debt securities under a Belgian/Dutch Commercial Paper program and a Euro Medium Term Note (EMTN) program. Proceeds were primarily on-lent to Fortis holding entities, to finance leverage that existed at this level in the group. Fortis SA/NV in Belgium and Fortis N.V. in The Netherlands, jointly the holding companies of Fortis, provided joint and several guarantees for debt issued by Fortis Finance N.V.

Confronted with the international financial crisis, Fortis has undergone a complete metamorphosis. Its Dutch banking and insurance activities have been sold to the Dutch State, while the other banking activities have been sold to the Belgian State, which in turn sold 75% of Fortis Bank NV/SA to BNP Paribas.

The sale of material group companies stated above implied that a default was triggered under the EMTN program, which could not be cured. As a result, holders of Fortis Finance N.V. bonds are at all times entitled to demand the early redemption of their bonds in accordance with Conditions 7(a)(vii) and 7(a)(ix) of the Terms and Conditions. For all bonds other than structured notes, such redemption takes place at par value plus accrued interest until the date of effective early redemption. To enable Fortis Finance N.V. to early redeem the external bondholders, Fortis Finance N.V. has concluded agreements with its borrowers. Based on these agreements Fortis Finance N.V. can demand the early redemption of the amounts due from borrowers at par as well.

Early 2009 most of the bonds have been repaid. At the end of June 2009 the liabilities arising from outstanding bonds under the EMTN and CP program have decreased to EUR 1.0 billion. All the amounts due from (former-)group companies have been repaid, and one new , daily callable, loan to one of the group companies was issued, allowing Fortis Finance N.V. to immediately honour any request for early redemption by external bondholders.

The shares of Fortis Finance N.V. are indirectly held by Fortis SA/NV and Fortis N.V. via Fortis Utrecht N.V. and Fortis Insurance N.V. The latter is the direct and sole shareholder of Fortis Finance N.V.

International Financial Reporting Standards

The Fortis Finance N.V. Interim Financial Statements, including the 2008 comparative figures, are prepared in accordance with IFRSs – including International Accounting Standards (‘IAS’) and Interpretations – at 31 December 2008 and as adopted by the European Union. For IAS 39, Financial Instruments: Recognition and Measurement, the execution regarding hedge accounting (the so-called ‘carve out’) decreed by the European Union on 19 November 2004 is taken into account.

Where accounting policies are not specifically mentioned below, reference should be made to the IFRS as adopted by the European Union. Accounting policies did not change till 30 June 2009. According to the accounting policies Fortis opted to fair value part of its assets and liabilities, while other parts are valued at amortised cost. With a view at the early redemption process described above, whereby most assets and liabilities are redeemable at par value, Fortis assumed that this par value represents the best estimate of the fair value of these assets and liabilities.

Results and appropriation of profit

In the first half of 2009 Fortis Finance N.V. realised a net profit after tax of EUR 97,429,805, compared to a loss of EUR 1,993,000 recorded in the first half of 2008. The huge swing in results in 2009 versus 2008 is predominantly due to an open position on two credit default swaps and the unwinding of an interest rate swap, further explained below.

Credit default swaps

Fortis Finance N.V. in the past issued two credit linked bonds, which were hedged by credit default swaps (CDS). In the past these bonds were valued at fair value including the value of the embedded CDS, thus the valuation of the CDS were result-neutral for Fortis Finance N.V.

The sudden early redemption of these structured bonds in the second half year 2009 created a mismatch, as the relating CDS remained outstanding in full. At December 31, 2008 the fair value of the CDS amounted to EUR 83.1 million (liability) and this open position created an unrealised loss in the second half year 2008. At June 30, 2009 the fair value of the CDS dropped to EUR 45.6 million, resulting in a (unrealised) gain before tax of EUR 37.5 million in the first half year 2009. Fortis Finance N.V. unwound the CDS for EUR 47 million in the third quarter 2009.

Unwinding Interest rate swap

The 2008 net result extinguished the reserves and resulted in an equity deficit of EUR 43 million at the end of 2008. As indicated earlier, all loans granted to group companies, including loans with fixed interest rates, have been redeemed at par value, thereby disregarding the fair value of these loans. Consequently, a derivative concluded between by Fortis Finance N.V. and a group entity to hedge its interest position, was also unwound without settling the fair value. This unwinding was done in March 2009 and resulted in a gross profit of EUR 57.9 million for Fortis Finance N.V., thereby restoring the net equity position of the company.

Risk Management

Due to the default situation all loans are daily callable and the board monitors the open positions that are created by the early redemptions on a day by day basis and minimises the open positions if and when economically possible.

Prospects

The bonds issued by Fortis Finance N.V. are in default. As long as the default continues, Fortis Finance N.V. can not issue any new loans. Once the default is remedied, management will review the future for the company. The results for the coming years will be uncertain and are mainly dependent on the speed of repayment of the bonds.

Employees

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

Management representation

Management declares that, to the best of their knowledge, the financial statements prepared in accordance with the applicable set of accounting standards give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and that the management report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that they face.

Utrecht (NL), 26 August 2009

The Board of Directors:
P. Depovere
J.H. Brugman
C.F. Oosterloo
P. Goris

Interim Financial Statements for the first half-year 2009

All amounts reported in the tables of these financial statements are denominated in thousands of euros, unless stated otherwise.

Balance sheet

(before appropriation of profit)

In thousands of euro	*Note*	30 June 2009	31 December 2008
Assets			
Due from group companies	*1*	700,000	5,398,915
Deferred tax assets	*2*		
Derivatives and other receivables	*3*	76,092	314,558
Cash and cash equivalents	*4*	410,860	1,723,103
Total assets		**1,186,952**	**7,436,576**
Equity			
Issued capital		125	125
Retained earnings		(43,474)	52,504
Result for the year		97,430	(95,978)
Total equity	***5***	**54,081**	**(43,349)**
Liabilities			
Interest-bearing loans and borrowings	*6*	995,400	6,945,332
Interest-bearing subordinated loans	*6*	26,092	66,933
Tax payable	*7*	22,324	1,506
Derivatives, deposits and other payables	*8*	87,032	466,154
Deferred tax liabilities	*2*	2,023	
Total liabilities		**1,132,871**	**7,479,925**
Total equity and liabilities		**1,186,952**	**7,436,576**

Income statement

In thousands of euro	*Note*	1st HY 2009	1st HY 2008
Income			
Financial income	10	225,286	543,030
Financial expenses	10	(104,403)	(545,218)
Net financial margin		**120,883**	**(2,188)**
Operating expenses	9	(219)	(264)
Rating expenses		(330)	(178)
EMTN-program expenses		(63)	(45)
Operating result before tax		**120,271**	**(2,675)**
Income tax income	11	(22,841)	682
Result for the year		**97,430**	**(1,993)**
Other comprehensive income for the period		0	0
Total Comprehensive income for the period		**97,430**	**(1,993)**

Statement of changes in net equity

For the 1st half of 2009 (2008 for the year ended 31 December)	2009	2008
In thousands of euro		
Balance beginning of year	(43,349)	82,629
Profit or loss for the 1st half year	97,430	(1,993)
Dividend paid (related to result 2006)		(30,000)
Balance per 30 june	**54,081**	**50,636**
Profit or loss for the 2nd half year	pm	(93,985)
Balance per the end of	**pm**	(43,349)

Statement of cash flows

For the 1st half year *In thousands of euro*	2009	2008
Cash and cash equivalents – Balance at 1 January	1,723,103	171,622
Bank Overdrafts – Balance at 1 January		(77,715)
Total cash and cash equivalents/ bank overdrafts at 1 January	**1,723,103**	**93,907**
Cash flows from operating activities		
Net result	97,430	(1,993)
Net changes in operating assets and liabilities	(2,174,859)	78,828
Net cash from operating activities	**(2,077,429)**	**76,835**
Cash flows from Investing activities		
Payments to customers or cash receipt from customers (deposits, long term loans)	**4,698,915**	**(194,206)**
Cash flows from financing activities		
Cash receipt or repayment of borrowings (subordinated, debt certificates, long term liabilities, straight loans)	(3,933,729)	69,266
Dividend paid to shareholder		(30,000)
Net cash from financing activities	**(3,933,729)**	**(39,266)**
Cash and cash equivalents– Balance at 30 June	410,860	97,214
Bank overdrafts – Balance at 30 June		(81,412)
Total cash and cash equivalents/ bank overdrafts at 30 June	**410,860**	**15,802**

General notes

General information

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

The company is registered with the chamber of Commerce in Utrecht under number 30055940.
The shares of Fortis Finance N.V. are indirectly held by Fortis SA/NV and Fortis N.V. via Fortis Utrecht N.V. and Fortis Insurance N.V. The latter is the direct and sole shareholder of Fortis Finance N.V.
The main activity of Fortis Finance N.V. is to provide funding to the Fortis group and operating entities. Funds borrowed in the market are lend-on to Fortis companies. Fortis Finance N.V. has very low exposure to interest and foreign currency risks; the general policy is to close all positions on a deal by deal basis.

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

The financial statements were authorised for issue by the Board of Directors on 26 August 2009.

Accounting policies

General

The annual accounts are prepared based on the going concern assumption. The uncertainties that existed around Fortis at year end and could have resulted in the failure of the (former) group companies to repay their debts to Fortis Finance N.V. have been resolved. At the date of this report almost all loans were repaid, and Fortis Finance N.V. has sufficient cash available to repay the outstanding debts. The net equity deficit at year end has been remedied, and at the date of this report is positive again.

a) Statement of compliance

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

b) Basis of preparation

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

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

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

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

Fortis Finance N.V. is the financing vehicle of the Fortis group and the entity that does the cash management of the Fortis group entities. In certain deals derivatives are used to eliminate the interest or foreign currency risk.

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

c) Changes in accounting principles

The accounting policies used to prepare these 2009 Half Year Financial Statements are consistent with those applied for the year ended 31 December 2008.

d) Foreign currency

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

d) Financial instruments

(i) Non-derivative financial instruments

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

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

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

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

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

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

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

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

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

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

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

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

All impairment losses are recognised in profit or loss.

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

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

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

g) Income tax

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

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

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

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

h) Fair Value Calculations

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

Derivatives

The fair value of interest rate swaps is the estimated amount that Fortis Finance N.V. would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The estimate is based on the expected cash flows and the swap interest curve applicable at the moment of valuation. The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price. For the Credit Default Swaps, the fair values are determined based using a valuation technique based on assumptions that are supported by available observable market data.

Non-derivative financial instruments

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

Notes to the financial statements

1. Due from group companies

In thousands of euro	30-06-2009	31-12-2008
Due from group companies at amortised cost	700,000	4,967,160
Short time deposits with group companies		431,755
Total	**700,000**	**5,398,915**

In 2009 all loans are repaid. A new, daily callable loan is granted to a group company for a total of EUR 700 million.

2. Deferred tax assets and liabilities

The Deferred taxes are attributable to the revaluation of assets and liabilities at fair value.
Also for tax purposes the penalty interest received for the early redemption of loans was deferred and resulted in a deferred tax liability. For tax purposes the assets and liabilities, including derivatives are valued at amortised cost. This leads to the follow assets and liabilities. Fortis Finance N.V. is part of the fiscal unity Fortis Utrecht. Due to the overall loss situation of the tax unity for the year 2008, and the expected lack of future taxable profits, Fortis Finance N.V. has impaired its tax asset.

In thousands of euro	30-06-2009	31-12-2008
Deferred tax asset on revaluation of liabilities		12,185
Deferred tax liability on revaluation of assets	2,023	
Impairment Deferred tax asset		(12,185)
Net tax asset/ liability	**(2,023)**	

3. Derivatives and other receivables

In thousands of euro	30-06-2009	31-12-2008
Accrued interest	19,923	150,776
Fair value derivatives	56,169	163,782
Total	**76,092**	**314,558**

4. Cash and cash equivalents/ bank overdrafts

In thousands of euro	30-06-2009	31-12-2008
Bank balances	410,860	1,723,103
Cash and cash equivalents in the statement of cash flows	**410,860**	**1,723,103**

Bank balances are held at Fortis Bank N.V. and Fortis Bank Nederland N.V..

5. Capital and reserves

The movements in capital and reserves for the years ended 2008 and Half year 2009 are as follows:

In thousands of euro	*Share capital*	*Retained earnings*	*Unappropriated profit*	*Result for the year*	*Total*
Balance at 31 December 2007	**125**	**30,164**	**62,048**	**(9,708)**	**82,629**
Allocation of profit		52,340	(62,048)	9,708	
Dividend paid		(30,000)			(30,000)
Total recognised income and expense 1st half year 2008				(1,993)	(1,993)
Balance at 30 June 2008	**125**	**52,504**		**(1,993)**	**50,636**
Total recognised income and expense 2nd half year 2008				(93,985)	(93,985)
Balance at 31 December 2008	**125**	**52,504**		**(95,978)**	**(43,349)**
Allocation of profit		(95,978)		95,978	
Total recognised income and expense				97,430	97,430
Balance at 30 June 2009	**125**	**(43,474)**		**97,430**	**54,081**

At 30 June 2009, the authorised share capital comprised 1,000 ordinary shares (2008: 1,000), par value of EUR 500. At 30 June 2009, 250 shares were issued and fully paid up. During 2008 and till 30 June 2009 no new shares were issued nor were own shares bought back by the company.

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

6. Interest-bearing loans and borrowings

The loans and borrowings can be analysed as follows:

In thousands of euro	30-06-2009	31-12-2008
Other borrowings due to customers – drawings under EMTN-program	995,400	4,751,931
Other borrowings due to customers – Commercial Paper program		59,699
Other borrowings due to customers – group company's		2,133,702
Total loans and borrowings	**995,400**	**6,945,332**
Subordinated loans – other	26,092	66,933
Total subordinated loans	**26,092**	**66,933**
Total interest bearing loans and borrowing	**1,021,492**	**7,012,265**

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

Loans and borrowings at fair value		197,100
Loans and borrowings at amortised cost	1,021,492	6,815,165
Total loans and borrowings	**1,021,492**	**7,012,265**

Since all loans and borrowings became directly callable in 2008, all loans and borrowings are recorded at nominal value, except structured notes. Structured notes are valued at the contractual agreed early redemption values. The average interest paid on the loans and borrowings was 5.6% till 30 June 2009 (2008: 4.95%).

7 Current tax assets and liabilities

The income tax liability of EUR 22,324 represents the amount of income taxes payable for the period till 30 June 2009. The amount consists of EUR 20,818 for 2009 and EUR 1,506 for prior years.

8. Derivatives and other payables

In thousands of euro	30-06-2009	31-12-2008
Accrued interest	30,104	227,505
Other payables and accrued expenses	1,890	33,505
Fair value derivatives	55,038	205,144
Total	**87,032**	**466,154**

9. Operating expenses

In thousands of euro	1st HY 2009	1st HY 2008
Accounting office fees	41	50
Bank costs	3	13
Audit costs	53	39
Back office / Front office fees	75	129
Other	47	33
Total	**219**	**264**

The audit cost relate to the fees charged by KPMG Accounts NV for the audit of the annual accounts and related maters. The Accounting office fees and Back office fees are charged by Fortis Bank Nederland, which was part of the Fortis group up to October 2008.

10. Net financial margin

In thousands of euro	1st HY 2009	1st HY 2008
Interest income loans	33,352	167,012
Interest income derivatives	51,370	178,286
Interest income cash and cash equivalents	20,393	74,935
(Un) realised gains on derivatives	120,171	59,039
Foreign exchange gains		7,222
Net gain on re-measurement from borrowings at fair value		55,848
Other		261
Financial income	**225,286**	**542,603**
Interest expenses loans and borrowings	(44,889)	(163,064)
Interest expenses subordinated loans	(296)	(3,016)
Interest expenses derivatives	(37,000)	(181,895)
Interest expenses cash and cash equivalents	(18,315)	(74,347)
Interest related expenses	(1,381)	(250)
(Un) realised loss on derivatives	(1,718)	(99,019)
Net loss on re-measurement from loans at fair value	(804)	(23,064)
Other		(563)
Financial expenses	**(104,403)**	**(545,218)**
Net financial margin	**120,882**	**(2,615)**

11. Income tax expense

Recognised in the income statement

In thousands of euro	1st HY 2009	1st HY 2008
Current tax expense		
Current year tax expense	20,818	(682)
Deferred tax expense		
Origination and reversal of temporary differences	2,022	
Total income tax expense in income statement	**22,841**	**(682)**

Reconciliation of effective tax rate

In thousands of euro	1st HY 2009	1st HY 2008
Profit before tax(minus = loss)	118,248	(2,675)
Domestic corporate tax rate	25.5%	25.5%
Income tax using the domestic corporate tax rate	(30,153)	(682)
Effect of total result in fiscal unity	7,312	
Effective corporate tax rate	**19.3%**	**25.5%**
	22,841	**(682)**

Fortis Finance N.V. is member of the Tax unity for corporate income tax Fortis Utrecht (see note 13) . The Tax unity files a consolidated tax return. Within this tax unity rules are agreed for the allocation of the consolidated corporate income tax payable/receivable. Due to the fact that the Unity was unexpectedly on a consolidated basis in a taxable profit situation, some of the deferred assets related to tax loss carry forward and provided for in prior years could be realised in the first half 2009. This resulted in a tax benefit for Fortis Finance N.V. of EUR 7.3 million.

12. Related parties

The purpose of Fortis Finance N.V. is to provide funding for the Fortis group and group companies.
Due to the complete metamorphosis of Fortis the banking activities and the Dutch insurance activities of the former Fortis Group are not longer related parties. All funding transactions are lend-on to other Fortis entities. The pricing of the on-lending is based on Fortis Finance N.V. funding cost, increased with a margin to cover costs and to comply with fiscal rules and regulations.

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

13. Off-balance sheet items

Credit lines

A consortium of banks had granted a standby multi currency credit facility in aggregate for EUR 1,000 million to Fortis Finance N.V. Due to the events that impacted Fortis the credit line was withdrawn in September 2008.

Taxation unities

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

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

14. Management remuneration

The board of directors receives their remuneration from other Fortis Group companies. No remunerations are charged directly to Fortis Finance N.V..

15. Contingent liabilities

We have taken notice of the disclosure on Contingent Liabilities in the 2008 Consolidated Financial Statements of Fortis in which is mentioned that Fortis is or can be involved in a number of legal procedures as well as administrative and criminal investigations in Belgium, The Netherlands and the USA. Fortis Finance N.V. is of the opinion that these procedures not will lead to a substantial claim liability for Fortis Finance N.V.

16. Post-balance sheet date events

There have been no material events after balance sheet date that would require adjustments to the financial statements as of June 30, 2009.

Since June 30, two credit default swaps with a fair value of ERUR 45.6 mln at June 30, were unwound since the end of the half year for EUR 47 million.

Other information

Provisions of the articles of association concerning profit appropriation

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

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

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

Utrecht (NL), 26 August 2009.

The Board of Directors:
P. Depovere
J.H. Brugman
C.F. Oosterloo
P. Goris

Review report

Introduction

We have reviewed the accompanying interim financial information for the six month period ended 30 June 2009 of Fortis Finance N.V., which comprises the balance sheet as at 30 June 2009, the income statement, statement of changes in equity, cash flow statement and the selected explanatory notes for the six month period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Auditor of the Entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with international standards on auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as at 30 June 2009 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting', as adopted by the European Union.

Amstelveen, 26 August 2009

KPMG ACCOUNTANTS N.V.

W.G. Bakker RA